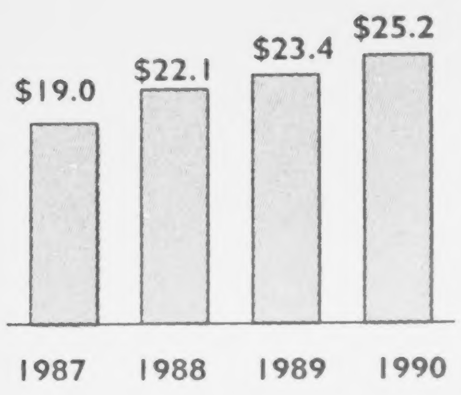
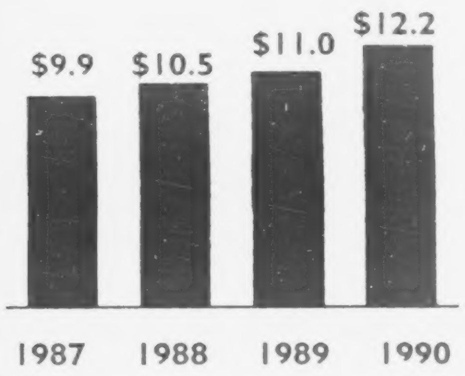
Specialty Retailers



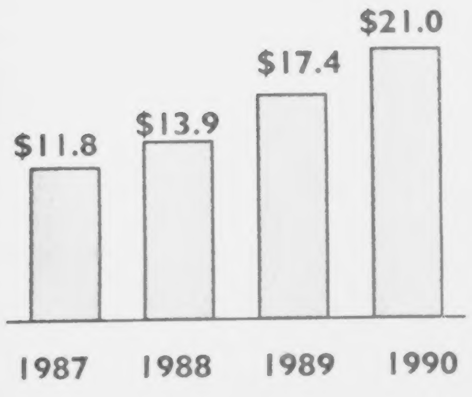
Specialty mass retailers (including toy, sport, office supply, consumer electronics and auto parts chains) achieved a 5.9 percent gain in '89 to $23.4 billion. Office supply megastores more than doubled their 1987 sales, while auto and toy chains experienced double-digit sales growth in 1989. Specialty mass retailers, as a group, will pick up their sales pace in 1990, hitting $25.2 billion in sales.
See CE Chains, page 77; Toy Chains, page 79; Sporting Goods Chains, page 81; Auto Parts Chains, page 83; and Office Supply Megastores, page 85.

Apparel Off-Pricers



Off-price apparel chains grew 4.8 percent to $11 billion in sales in 1989, but are projected to grow faster this year, reaching $12.2 billion on a 10.9 percent sales gain.
See Off-Price Apparel Chains, page 73.

Warehouse Clubs



Membership warehouse clubs turned in the most impressive sales results last year. Clubs grew 21 percent on a base of $13.9 billion to reach $17.4 billion in sales in 1989. *DSN* projects warehouse clubs to achieve $21 billion in sales in 1990, a 20.7 percent gain.
See Membership Warehouse Clubs, page 75.

Despite Industry Sales Gain Many Chains Run Aground

The total discount industry sales pie grew by more than 10 percent last year, far outpacing the sales growth of most other retail sectors including supermarkets, drug stores and full-price department stores. However, despite that growth (fueled mainly by warehouse clubs, specialty mass merchants and large national discount department store chains), nearly 20 discount chains liquidated; had filed for Chapter 11 protection from creditors or sought new owners due to financial strains.

With the largest Chapter 11 bankruptcy filing in discounting history, Ames topped the list of troubled chains over the past year and a half.

Last month, Ames announced it will close by the end of summer 221 more stores, 37 Ames units and 184 former Zayre stores. The newest round of closings brings to 299 the number of stores Ames has closed since it bought the money-losing Zayre chain of 388 stores in October 1988 for about $800 million in cash and stock.

Ames thus will have closed more than the number of stores that Bradlees operates, 133, and Caldor, 118, with a third of Jamesway (120 stores) thrown in for good measure.

Stephen L. Pistner, the retailing consultant brought in to rescue Ames from the gamble it lost with Zayre, said the latest wave of closings will be the first step toward emerging from Chapter 11.

Reported $47.5 Million Loss

The 221 stores accounted for $47.5 million of the $228 million loss Ames reported last year.

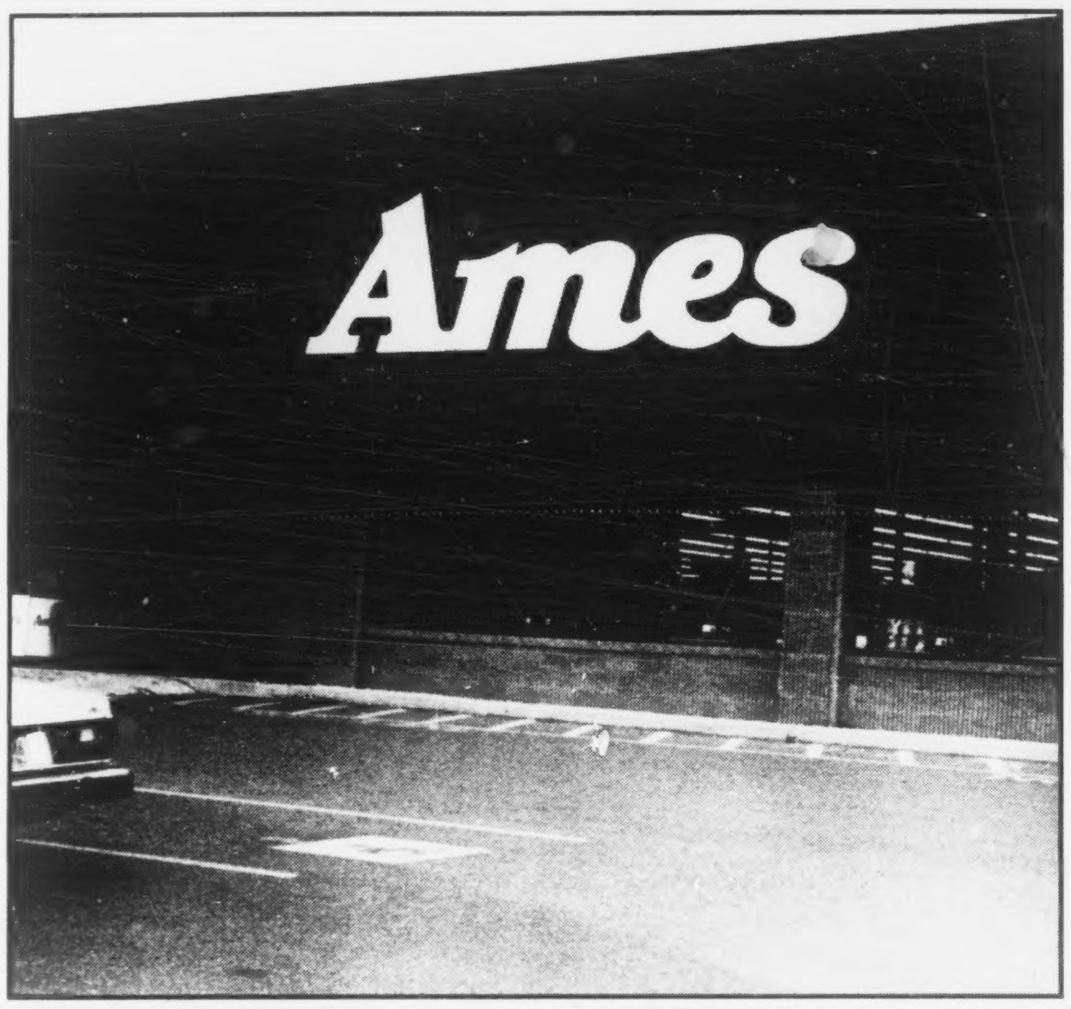
Last September, Ames sold its G.C. Murphy variety store chain to the corporate parent of McCrory Stores. It used the $80 million proceeds to pay down debt from its ill-fated Zayre acquisition.

Ames also scuttled last December Office Shop Warehouse, the four-unit office products chain it founded.

This April, Jaffe's, a seven-store office products chain in Florida, became another victim of the shakeout the category is undergoing. Abitibi-Price, its Toronto-based parent company, closed all stores, rather than sell Jaffe as going concern.

ALCO, headquartered in Abilene, Kan., which filed Chapter 11 bankruptcy in May 1989, still is operating 100 stores under the protection of bankruptcy laws.

After a 14-month struggle, Heck's emerged from bankruptcy last September and made an ill-fated shift to a membership club concept.



***Ames, which choked on its acquisition of Zayre Stores,** is trying to emerge from Chapter 11 by closing additional stores.* (DSN photo)

Changing its name to Take 10, Heck's offered a 10 percent discount to club members who paid $5 a year dues.

Take 10 lasted six months before worsening losses prompted Heck's to get out of retailing by selling its stores to Jordache Enterprises. Jordache changed the store name to L.A. Joe and operates 60 units that offer primarily closeout apparel, including its own Jordache and L.A. Joe labels.

The cash consideration was precisely $1. In addition, Jordache assumed approximately $80 million in debts, including $20 million in real estate lease obligations.

Toy King, Orlando, Fla., also ceased operations after emerging from Chapter 11. Once operating 40 units, it emerged with 20 stores left. And it sold those this spring to Value Merchants (formerly Wisconsin Toys) mostly for conversion to Toy Liquidator closeout toy stores.

Two other Chapter 11 discounters sold themselves with the blessings of bankruptcy judges.

Johnstown, Pa.-Glosser Bros., sold its Gee Bee discount store and Dollar Bargain closeout chains to Schottenstein Stores for about $39.6 million in assumed bank and trade debt.

And Maxway, Sanford, N.C., sold its assets to Variety Wholesalers for a consideration of $4.3 million.

Three other discounters took their place on the bankruptcy casualty lists.

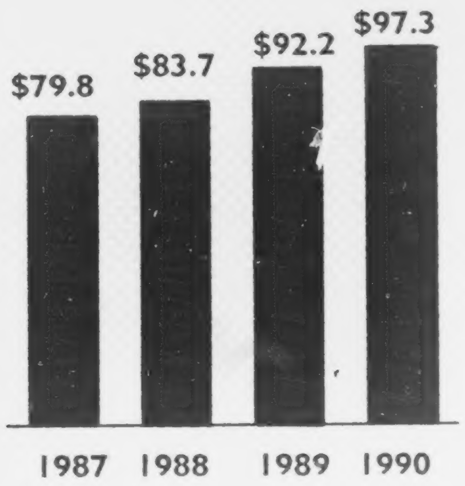
Yellow Front, Phoenix, Ariz., now is liquidating itself after filing Chapter 11 in February. It closed 89 of 133 stores it was operating and failed at a May auction to find a buyer for the 44 remaining stores as an operating chain. Last month, the chain received bankruptcy court permission to sell 30 of those store leases for $6.3 million.

Yellow Front once owned 234 stores in the Southwest and Northwest following its 1988 acquisition of Washington-based Bonanza stores.

Tons of Toys (which changed the name of its stores to Toys 'N Toys 'N More), Wareham, Mass., declared Chapter 11 shortly after Christmas and has closed seven of its 28 stores. But Karl's Toys, Los Angeles, has agreed to acquire the 21-store chain in a $3.5 million deal, and the bankruptcy courts are expected to approve the deal shortly.

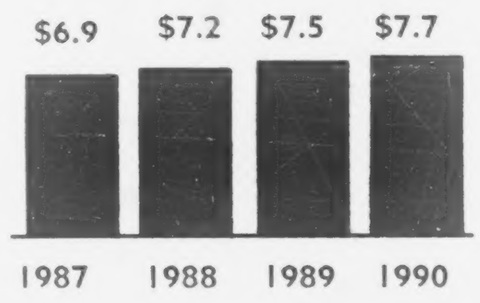
(Continued on page 54)

Full-Line Discount Department Stores



Full-line discount store sales (including hypermarkets, dollar discounters and closeouters) rose 10.2 percent in 1989 to $92.2 billion, and are projected to hit $97.3 billion in '90. Approximately 40 percent of the chain's listed on *DSN's* Top 150 list are full-line discounters.
See Full-line Discount Department Stores, page 67; Dollar Discount Chains and Hypermarkets, pp. 87, 93, 97.

Catalog Showrooms



Catalog showrooms continued their steady but unspectacular pace: up 4.2 percent in 1989 to $7.5 billion; projected 2.7 percent gain in 1990 to $7.7 billion.
See Catalog Showroom Chains, page 71.

Annual Report Methodology

DSN's "Annual Report on the Discount Industry: Part I" reports sales, operating profits and store count information on the top 150 discount industry chains in the United States. The Top 150 list includes discount department stores, warehouse clubs, catalog showrooms, off-price apparel chains, hypermarkets, dollar discount department stores, closeout store chains, and specialty mass discounters in toys, sporting goods, office supplies, consumer electronics and the automotive aftermarket. The report also contains data on associated mass merchants not included on *DSN*'s Top 150 such as variety store chains, deep discount drug store chains and Sears.

The data was compiled from company annual reports, filings with the Securities and Exchange Commission and phone calls to more than 200 of the nation's leading chains. In instances where estimates were made, *DSN* relied upon its knowledge of the company, previous year's performance and other sources. This year's report contains some discrepancies from last year's due to the fact that several companies chose to update the figures they reported last year. *DSN* published only the updated figures.

This most complete and accurate source of information about the total discount store industry will be followed next issue with "Part II: Merchandising and Productivity Analysis," *DSN*'s review of discount department store volume, turns and margins in 14 major product categories.

Number and Size of M & A's Slacken in 1989

By Richard C. Halverson

Chaos in the United States junk bond market, the Campeau bankruptcy and paltry sums that retail chains fetch have dampened the pace of leveraged buyouts and acquisitions in discounting.

The number of acquisitions since January 1989 fell to 12 from 19 during the previous 18 months, while LBOs slipped to four from six and the number of chains going public dipped to three from four

Moreover, the deals tended to be much smaller, both in store count and dollar value. None approached the scope of 1988 deals: Ames' ill-fated Zayre acquisition for about $800 million or the $1.2 billion LBO of Bradlee's parent, Stop & Shop, to say nothing of the $3.8 billion LBO of Montgomery Ward from Mobil Oil.

The deals that failed to come off are almost as newsworthy as the ones that did:

- Isosceles PLC, the new British owner of Herman's, gave up on finding a buyer for the sporting goods chain;
- Oshman's ended a search for a buyer last December;
- Merrill Lynch Capital signed a letter of intent back in February to purchase the Whitlock automotive group from Boots Co., Whitlock's new British owner, but has yet to close on the deal; and,
- May Co.'s planned spin-off of Venture almost didn't come off as the discounter had trouble raising the $305 million it needed to buy its freedom.

Nonetheless, deep pockets, such as K mart's and those of Investcorp, the Arab world holding company that just paid $1.5 billion to acquire Saks Fifth Avenue, as well as no-cash deals for distressed discounters have kept the consolidation pot simmering.

K mart had no trouble last October purchasing the 41-unit Pace Membership Warehouse chain for $322 million.

And, K mart bought out the remaining 49 percent interest in Makro a month later for an undisclosed sum. In March 1988, K mart had acquired a 51 percent interest from the Dutch holding company that founded Makro.

Makro will disappear this summer as a wholesale club name when K mart finishes merging Makro's nine units into the 43-unit Pace chain.

This spring, K mart paid $65 million to acquire the eight sporting goods superstores of Sports Authority, Fort Lauderdale, Fla.

By next month, K mart will turn its two Sports Giant warehouse test clubs into Sports Authority units.

And last September, the $40 million that Investcorp paid to acquire a 65 percent in Sports Unlimited, Tampa, then an 11-unit chain of sporting goods superstores, put no strain on international finance markets. The founding partners of Investcorp, based in Bahrain, London and New York, had no trouble coming up with a billion and a half dollars for Saks back in May.

Even the largest deal of the year, the $552 million leveraged buyout of Caldor from May, proved disappointing.

May had hoped to raise a total of $1.5 billion by selling both Caldor and Venture. It was unable to find a buyer for Venture at an acceptable price, however, and got only $500 million cash for Caldor, plus the assumption of $52 million in debt.

May also had to leave behind a 20 percent equity interest in Caldor, rather than pull all of its capital out for investment in more profitable department store operations. By giving sellers paper, May, in effect, made the down payment in order to swing the deal with Odyssey L.P., a New York investment group.

Unable to sell Venture at the right price, May devised a scheme last year to spin it off to May stockholders, originally set for this spring.

But it set a price for Venture to gain its freedom. Venture had to raise an estimated $305 million and pay it to May to remit retained earnings.

When Venture was unable to raise that amount, May revised its spin-off plans. First, it intended to sell to the public a 14 percent stake, or 2.3 million shares, in Venture and spin off the balance to May shareholders. Then, late last month, Venture announced it is raising the $305 million to gain its independence from May Co. by a combination of store sales and leasebacks, mortgages and drawing on lines of credit.

Pressures from dissident stockholders are forcing another pending sale, that of the 1,300-unit Ben Franklin chain. Last month its parent, National Intergroup, put Ben Franklin on the block in a bid to fend off dissidents seeking to capture control and liquidate the metals, oil, drugs and retailing concern.

The second largest LBO last year was Dayton Hudson's sale of its Lechmere chain to Berkshire Partners, a Boston investment group.

Lechmere's 29 stores fetched only book value of $234 million, much less than early estimates of $350 million.

On a smaller scale, Wal-Mart concluded a two-year search for a buyer of its dot deep discount drug chain, when management acquired its 14 stores in an LBO. Wal-Mart declined to release terms of the LBO.

In another small acquisition, Value Merchants (formerly Wisconsin Toys) bought 59-store Everything's a $1.00, a one-price closeout chain based in Virginia Beach, Va.

Financial woes at a number of chains permitted acquisitions at fire sale prices with no cash outlays, and without having to tap the financial markets.

Newmark & Lewis snapped up the failing Brick Church chain for a bargain $7.8 million. Once operating 40 stores, Brick Church was operating 17 units at the end.

Jordache Enterprises got 60 stores from Heck's, which emerged from Chapter 11 bankruptcy last September after a 16-month struggle, by assuming $80 million in debts and lease obligations.

Heck's was only too happy to have someone take the stores off its hands and halt enormous losses that threatened to wipe out it out. Heck's comes out with a profitable Steel City automotives distributor, a debt-free balance sheet and a $100 million tax-loss carryforward that promotes future acquisitions.

The venerable Heck's name is set to change to Hallwood Industries. A non-competitive agreement with Jordache to stay out of apparel sales makes it unlikely that Heck's, will get back into retailing.

Jordache acquired an instant chain of closeout apparel stores that it reopened under the name L.A. Joe.

The bankruptcy of Glosser Bros., Johnstown, Pa., enabled Schottenstein Stores to acquire a chain of 17 Gee Bee discount stores and another of 18 Dollar Bargain closeout units this spring in another debt-assumption deal. Schottenstein bought the chain through the bankruptcy courts by paying creditors 55 cents on the dollar for $72 million in debts, or $39.6 million.

Schottenstein is keeping the Gee Bee name and discount store format, rather than convert them to its Value City closeout format.

In another fire sale, Variety Wholesalers purchased the 35 remaining Maxway stores this April from a bankruptcy court for $4.3 million.

In a previous variety store sale, Ames sold its 155-store G.C. Murphy chain to the parent of McCrory Stores for $80 million in order to pay down debt from its Zayre acquisition.

The office supply category accounted for one small acquisition and one of two initial public offerings. In April, Office Max bought Office World and merged its seven Chicago-area stores into its 13 stores.

Office Products of America went public last fall before opening a single store in a $7.8 million IPO. Frank Denny, founder of K mart's Builders Square, operates the stores under the name Office Stop.

In a similar IPO to launch a chain, Robert J. McNulty raised $7.8 million to start Auto Giant, a Southern California automotives warehouse club. It has opened one unit and plans to open another this summer. McNulty also filed an IPO registration this May to raise a similar amount to start Auto Depot, another auto warehouse club to begin operations on New York's Long Island.

In the first six months of 1989: Penn Traffic bought the 98 Big Bear stores; Kroger sold its 13 Price Savers in a management LBO; and, Zayre Corp. spun off its BJ's Wholesale Club and HomeClub chains as a new entity, Waban Inc., and changed its name to TJX Cos.

Chain Restructurings Since January 1989

Acquisitions

Acquiring Company	Acquired Chain	Price (In Millions)	Number of Stores	Date
Penn Traffic[1]	Big Bear	$350	282	March 1989
McCrory Stores	G.C. Murphy	80	155[2]	September 1989
Investcorp	Sports Unlimited	40	11	September 1989
K mart	Pace Makro Sports Authority	322 NA 65	41 7 8	October 1989 November 1989 March 1990
Value Merchants[3]	Everything's a $1.00	NA	59	July 1989
Newmark & Lewis	Brick Church	7.8	17	March 1990
Jordache Enterprises	Heck's	80	60	March 1990
Schottenstein Stores	Gee Bees and Dollar Bargain chains[4]	39.6	35	March 1990
Variety Wholesalers	Maxway	4.3	35	April 1990
OfficeMax	Office World	NA	7	April 1990
Value Merchants	Toy King	NA	20	May 1990

[1] Penn Traffic's acquisition of Big Bear included 31 Harts department stores, four Big Bear Plus hypermarkets and 63 Big Bear supermarkets.
[2] Includes 130 G.C. Murphy and 25 Bargain World variety stores.
[3] Formerly Wisconsin Toys.
[4] 17 Gee Bee and 18 Dollar Bargain stores. NA—not available.

Leveraged Buyouts, Initial Public Offerings, Spin-Offs

Chain	Action	Price (In Millions)	Number of Stores	Date
Staples	Went Public	$62	23	April 1989
Price Savers	Management LBO	NA	13	May 1989
Zayre Corp[1]	Spun off BJ's Wholesale and HomeClub to stockholders as Waban, Inc.	508	71	June 1989
Caldor	Investor-led LBO	552	118	August 1989
Lechmere	Investor LBO	234	29	July 1989
Office 3top	Went Public	7.8	0	July 1989
Auto Giant	Went Public	7.8	0	July 1989
dot Drug	Management LBO	NA	14	February 1990

[1] Changed name to TJX Cos. Waban then included 22 BJ's Wholesale Club units and 49 HomeClub home centers.
NA—not available.

Source: DSN research

Trouble in Discounting

(Continued from page 47)

Tons of Toys would survive as a public company, so Karl's, in effect, would go public if the courts approve.

In the apparel field, Casual Male Corp. declared Chapter 11 this April, placing 308 stores under the protection of the courts. Among the company's chains are Big & Tall, 208 stores, and Young Men's sportswear, 33 stores.

Casual Male has announced no store closings at presstime.

In the most notorious liquidation of the year, consumer electronics pioneer Crazy Eddie folded last October amidst charges that its founder, Eddie Antar, defrauded stockholders and the company of at least $60 million.

Crazy Eddie once operated 43 stores and was down to 17 when the end came.

The Federated Group, another CE chain that once boasted 74 stores, is virtually extinct after its parent, Atari, sold most of the units for conversion to Silo stores, although it continues to operate a handful of Federated stores in the Dallas market.

TSS (formerly TSS-Seedman's) completed the liquidation last year of its 11 discount department stores and the 15 units in its Finders Keepers off-price apparel chain.

The Finders Keepers stores went to the Strawberry's apparel chain for conversion to its format and name.

Leases for the TSS stores, located on New York's Long Island, went to a number of discounters, including K mart and Caldor.

In a bid to restore profitability, S.E. Nichols gave up on full-line discounting this spring and began converting to a deep discount drug format 30 of its 34 remaining stores.

But problems in servicing its debt cast doubts on Nichols' ability not only to convert 19 of its stores, called Pharmhouse, but also to avoid Chapter 11 bankruptcy.

Nichols said it might have to declare Chapter 11 if it fails to restructure its debt. And completing the conversion of the final 11 stores hinges on obtaining more funds, Nichols said. It plans to close four more stores, on top of 11 last year.

Child World also joins the list of troubled chains. Last month, its parent, CNC Holdings retained not one but three security firms to find a buyer for its 82 percent stake. Child World, the nation's second largest toy chain, with 175 stores, saw net earnings drop by more than 50 percent to $5.8 million on sales of $830.3 million. Comparable store sales slumped 8.6 percent.

Trouble in discounting also affects the automotives aftermarket. Action Auto, Flint, Mich., has filed for Chapter 11 protection, closed 18 of 68 stores and put itself on the block.

As reported in last year's annual State-of-the-Industry Report, Mars announced in June 1989 that it would liquidate its remaining eight stores, down from a 1987 high of 22. The liquidation took place as scheduled in July.

And a bankruptcy trustee ordered the liquidation of Robert J. McNulty's All American SportsClub in March 1989. SportsClub, a sporting goods warehouse club, operated eight units at its peak.

The Top 150: A to Z

Chain	1989 Rank	Chain	1989 Rank
Academy	124	Lionel Leisure	54
ALCO	80	Loehmann's	56
Alexander's	51	Luskin's	128
American Fare	132	L. Luria & Son	82
American TV	74	Makro	71
Ames	5	Marshalls	16
Ann & Hope	66	Meijer	11
Apex	148	Modell's Sporting Goods	135
Arvey Paper	122	Montgomery Ward	4
Audio-Video Affiliates	106	Nationwise	72
AutoZone	47	NBO Stores	121
Bargain Time	99	Newmark & Lewis	76
Best Buy	48	Northern Automotive	33
Best Products	15	Odd Job Trading	140
Big Bear Plus	136	Office Club	113
Bigg's	85	Office Depot	64
Bill's Dollar Stores	77	One Price Clothing	137
BizMart	109	Oshman's	62
Bi-Mart	63	OW Office Warehouse	126
BJ's Wholesale Club	26	Pace	17
Bradlees	18	Pamida	43
Brendles	69	Pay Less NW	21
Brick Church	133	Pep Boys	31
Building #19	127	Pic 'N' Save	50
Burlington Coat	32	Prange Way	92
Caldor	20	Price Club	6
Carrefour	142	Price Savers	39
Chaffin	110	Quality Stores	93
Champs Sports	116	Rich's	78
Chief Auto Parts	57	Rose's	23
Child World	30	Ross Stores	36
Circuit City	13	Sam's	7
Circus World Toy Stores	96	Service Merchandise	9
Click	149	ShopKo	22
Clothestime	91	Silo	28
Clover	68	Sky City	117
Club Wholesale	139	Smitty's	35
Consolidated Stores	45	Sportmart	90
Consumers Distributing	61	Sports Authority	143
Costco	10	Sports Unlimited	146
Dahlkemper's	134	Staples	94
David Weis	111	Stein Mart	103
Dollar General	44	Stuarts	105
Dress Barn	75	Super City	79
Evans	130	Swallen's	101
Family Dollar	34	Syms	65
Fedco	38	S&K Famous Brands	144
50-Off Stores	147	S.E. Nichols	84
Filene's Basement	59	Target	3
Fishers Big Wheel	52	The Andersons	108
Fred Meyer	12	The Fair Company	131
Fred Schmid	119	The Good Guys	89
Fretter	81	The Present Co.	115
Gee Bee	100	The Wholesale Club	46
Goody's Family Clothing	86	The Wiz	88
Grand Auto	87	Thrifty Corp	41
Grandpa Pidgeon's	112	Tops Appliances	60
G.I. Joe's	114	Toys "R" Us	8
Harts	83	Trader Horn	102
Heck's	98	Trak Auto	70
Herman's	40	TSS	120
Highland Superstores	27	Tuesday Morning	123
Hills	14	Twin Valu	145
Hit or Miss	55	T.J. Maxx	19
Hypermart USA	58	Value City	53
J & R Music World	129	Van Leunen's	138
Jack's	104	Venture	24
Jamesway	29	Wall to Wall	97
K mart	1	Wal-Mart	2
K & K Toys	141	Wal-Mart SuperCenter	107
Kay-Bee	37	Warehouse Club	73
Kids "R" Us	49	Western Auto	25
K's Merchandise	95	Whitlock	67
Laneco	125	Witmark	150
Lechmere	42	W. Bell	118

Source: DSN *research*

Who Owns Whom

K mart Corp.
- K mart
- Pay Less NW
- Waldenbooks
- Pace
  - Makro
- American Fare
- Builders Square
  - Office Square
- Sports Authority

Wal-Mart Stores
- Wal-Mart
- Sam's Wholesale Club
- Hypermarket USA
- Wal-Mart SuperCenter

Dayton Hudson
- Target

Toys "R" Us
- Toys "R" Us
- Kids "R" Us

Ames
- Ames
- Office Shop Warehouse
- Crafts & More

Stop and Shop Cos.
- Bradlees

Adler & Shaykin
- Best Products

May Department Stores
- Venture

Odyssey Partners
- Caldor

Melville Corp.
- Marshalls
- Meldisco
- Freddy's
- Kay-Bee Toys
- Toy Works
- Linens 'n Things

TJX Cos.
- T.J. Maxx
- Hit or Miss

Riklis Family Corp.
- McCrory Stores
- Bargain Time
- G.C. Murphy

Super Valu
- ShopKo
  - Twin Valu

Sears, Roebuck & Co.
- Western Auto

Waban Inc.
- BJ's Wholesale Club

Isosceles PLC
- Herman's
- Sunset Sports

Trump Group
- Northern Automotive
  - Auto Works
  - Crown Auto Works
  - Checker Auto Works
  - Kragen Auto Works
  - Schuck's Auto Works

Thrifty Corp.
(Pacific Enterprises)
- Bi-Mart
- Pay 'n Save
- Big 5 Sporting Goods
- Brown's
- Casey's
- Dave Cook Sports
- Gart Bros. Sporting Goods
- MC Sporting Goods

Steinberg Inc.
- Smitty's

Schottenstein Stores
- Gee Bee Stores
- Value City
- Valley Fair

Pic 'N' Save
- Job Lot Trading

Lionel Leisure
- Kiddie City
- Play World
- Toy Warehouses

Strawbridge & Clothier
- Clover

International Semi-Tech (Far East)
- Consumer Distributing (U.S.)

Nationwise
- Guarantee Auto

Sefinco Ltd.
- Loehmann's

Boots Co.
- Whitlock Auto
- R&S Straus
- Rose Auto

Atari
- The Federated Group

Pritzker Family
- Finders Keepers

Dart Group
- Trak Auto

Penn Traffic
- Harts
  - Big Bear Plus

PACCAR Inc.
- Grand Auto
- Al's Auto Parts

Greenman Bros.
- Circus World Toy Stores
- Playland/Playworld

Albrecht Grocery
- Click

H.C. Prange
- Prange Way

Euromarche/Super Valu
- Biggs

Interco Inc.
- Sky City

Dylex Limited
- NBO Stores

Woolworth Corp.
- Champs

Carrefour PLC
- Carrefour

Dabah Family Holding
- Children's Place

Amrad
- Bargain Town (USA)
- Simply Six
- Max 10

Dixon's, PLC
- Silo

Value Merchants (formerly Wisconsin Toys)
- Toy Liquidators
- Toys Unlimited
- Everything's a $1.00

Auchan Group
- Auchan

Jordache
- L.A. Joe (formerly Heck's)

Variety Wholesalers
- Maxway

Investcorp
- Sports Unlimited

CNC Holdings
- Child World

Valassis Enterprises
- The Warehouse Club

Penn-Daniels Inc.
- Jacks

Chaffin Inc.
- Gibson's Discount Stores

International Paper
- Arvey Paper & Office Products

Wetterau Inc.
- Laneco

Paul Stephan & Associates
- Club Wholesale

JG Enterprises
- Goldblatt Department Stores

Howard Merchandise Corp.
- Arthur's Jewelers

Ammar's Inc.
- Magic Mart

Business Express
- The Office Place

Merchants West
- Karl's Toys

Fays
- The Paper Cutter

Wasserstrom Co.
- National Office Warehouse

Bronfman Associates
- Office America

Abitibi-Price
- Jaffe's

Source: DSN *research*

The Discount Industry's Top 150 Chains

Rank				Sales (In Millions)			Earnings* (Loss) (In Millions)			Number of Stores		
1989	1988	Chain, Headquarters	Code	1989	1988	Percent Change	1989	1988	Percent Change	1/89	1/90	Proj. 1/91
1	1	**K mart,**[1] Troy, Mich.	DDS	$24,210	$22,940	5.5%	$1,318.0	$1,436.0	(8.2)%	2,145	2,194	2,248
2	2	**Wal-Mart,**[2] Bentonville, Ark.	DDS	20,970	16,820	24.7	1,539.0	1,325.0	16.2	1,259	1,402	1,572
3	3	**Target,** Minneapolis, Minn.	DDS	7,519	6,331	18.8	449.0	341.0	31.7	341	401	430
4	4	**Montgomery Ward,**[3] Chicago, Ill.	DDS	5,028	4,865	3.4	NA	130.0	—	324	333	386
5	8	**Ames,**[4] Rocky Hill, Conn.	DDS	4,986	3,363	48.3	(228.0)	47.2	—	820	680	460
6	5	**Price Club,** San Diego, Calif.	CLUB	4,901	4,053	20.9	191.9	156.6	22.5	41	47	55
7	6	**Sam's,** Bentonville, Ark.	CLUB	4,841	3,829	26.4	131.0	100.0	31.0	105	123	148
8	7	**Toys "R" Us,**[5] Rochelle Park, N.J.	TOY	4,313	3,647	18.3	493.7	417.9	18.1	358	404	449
9	9	**Service Merchandise,** Nashville, Tenn.	CAT	3,307	3,093	6.9	111.8	121.3	(7.8)	317	334	349
10	15	**Costco,** Kirkland, Wash.	CLUB	2,943	1,989	48.0	55.5	31.1	78.5	50	62	72
11	11	**Meijer,**[6] Grand Rapids, Mich.	DDS	2,800	2,500	12.0	NA	NA	—	52	56	60
12	13	**Fred Meyer,** Portland, Ore.	DDS	2,284	2,070	10.3	0.8	66.2	(98.8)	112	125	125
13	17	**Circuit City,** Richmond, Va.	CE	2,100	1,721	22.0	128.0	114.5	11.8	125	149	180
14	18	**Hills,** Canton, Mass.	DDS	2,075	1,670	24.3	108.1	97.7	10.6	167	208	214
15	14	**Best Products,** Richmond, Va.	CAT	2,055	2,048	0.3	73.5	NA	—	194	194	195
16	16	**Marshalls,** Wakefield, Mass.	APP	1,939	1,753	10.6	166.0	158.0	5.1	309	347	386
17	25	**Pace,** Aurora, Colo.	CLUB	1,710	1,271	34.5	NA	NA	—	39	47	62
18	12	**Bradlees,** Braintree, Mass.	DDS	1,700	2,107	(19.3)	NA	84.9	—	131	130	130
19	20	**T.J. Maxx,** Framingham, Mass.	APP	1,700	1,500	13.3	137.0	134.0	2.2	308	352	397
20	19	**Caldor,** Norwalk, Conn.	DDS	1,651	1,568	5.3	108.9	89.7	21.4	119	118	124
21	21	**Pay Less NW,** Wilsonville, Ore.	DRUG	1,585	1,450	9.3	NA	58.0	—	269	294	339
22	23	**ShopKo,** Green Bay, Wis.	DDS	1,556	1,280	21.6	86.3	76.3	13.1	89	98	108
23	22	**Rose's,** Henderson, N.C.	DDS	1,508	1,439	4.8	14.3	26.1	(45.2)	250	259	262
24	24	**Venture,**[7] O'Fallon, Mo.	DDS	1,339	1,279	4.7	80.0	81.0	(1.2)	73	75	79
25	26	**Western Auto,**[8] Kansas City, Mo.	AUTO	1,200	1,100	9.1	NA	NA	—	424	468	518
26	28	**BJ's Wholesale Club,** Natick, Mass.	CLUB	985	817	20.6	18.6	9.5	95.8	22	23	31
27	27	**Highland Superstores,** Taylor, Mich.	CE	924	911	1.4	4.3	18.9	(77.5)	84	93	92
28	29	**Silo,** Philadelphia, Pa.	CE	900	815	10.4	NA	22.0	—	210	230	230
29	31	**Jamesway,**[9] Secaucus, N.J.	DDS	855	783	9.2	5.7	9.6	(40.6)	121	131	136
30	30	**Child World,**[10] Avon, Mass.	TOY	830	807	2.9	5.8	12.6	(54.0)	163	174	184
31	38	**Pep Boys,** Philadelphia, Pa.	AUTO	799	656	21.8	55.1	60.2	(8.5)	243	281	319
32	39	**Burlington Coat,**[11] Burlington, N.J.	APP	779	650	19.8	36.0	30.0	20.0	134	146	149
33	34	**Northern Automotive,**[12] Phoenix, Ariz.	AUTO	763	737	3.5	NA	3.6	—	873	828	850
34	37	**Family Dollar,**[13] Charlotte, N.C.	DOLLAR	757	669	13.2	35.1	44.2	(20.6)	1,500	1,600	1,700
35	41	**Smitty's,**[14] Phoenix, Ariz.	DDS	755	640	18.0	3.0	NA	—	20	24	24
36	40	**Ross Stores,**[15] Newark, Calif.	APP	741	643	15.2	29.8	26.2	13.7	140	156	186
37	32	**Kay-Bee,** Pittsfield, Mass.	TOY	724	780	(7.2)	NA	NA	—	727	777	827
38	35	**Fedco,** Santa Fe Springs, Calif.	DDS	720	685	5.1	8.3	7.6	9.2	12	12	12
39	46	**Price Savers,** Salt Lake City, Utah	CLUB	685	551	24.3	NA	NA	—	13	14	18
40	36	**Herman's,** Carteret, N.J.	SPORT	680	680	0.0	NA	NA	—	260	266	281
41	43	**Thrifty Corp,**[16] Los Angeles, Calif.	SPORT	660	615	7.3	NA	NA	—	233	256	290
42	33	**Lechmere,**[17] Woburn, Mass.	DDS	650	769	(15.5)	NA	22.0	—	27	18	18
43	45	**Pamida,** Omaha, Neb.	DDS	621	568	9.3	13.3	8.7	53.2	165	170	178
44	44	**Dollar General,** Scottsville, Ky.	DOLLAR	615	613	0.3	25.9	22.5	15.1	1,307	1,378	1,478
45	42	**Consolidated Stores,**[18] Columbus, Ohio	CLOSE	609	627	(2.9)	(14.5)	37.1	—	308	336	356
46	53	**The Wholesale Club,** Indianapolis, Ind.	CLUB	570	402	41.8	8.6	5.2	65.4	18	23	30
47	49	**AutoZone,** Memphis, Tenn.	AUTO	535	440	21.6	NA	NA	—	441	511	550
48	48	**Best Buy,**[19] Minneapolis, Minn.	CE	513	507	1.2	13.1	8.8	48.9	41	49	58
49	56	**Kids "R" Us,** Rochelle Park, N.J.	APP	475	353	34.6	20.0	10.9	83.5	112	137	167
50	52	**Pic 'N' Save,**[20] Carson, Calif.	CLOSE	475	402	18.2	50.9	77.7	(34.5)	155	190	210
51	47	**Alexander's,** New York, N.Y.	DDS	463	525	(11.8)	17.5	2.5	600.0	13	11	12
52	50	**Fishers Big Wheel,** New Castle, Pa.	DDS	450	420	7.1	NA	NA	—	92	95	100
53	55	**Value City,**[21] Columbus, Ohio	DDS	430	357	20.4	NA	NA	—	45	56	56
54	51	**Lionel Leisure,** Philadelphia, Pa.	TOY	429	409	4.9	0.5	5.5	(90.9)	84	92	102
55	54	**Hit or Miss,** Framingham, Mass.	APP	400	375	6.7	16.0	11.0	45.5	506	546	591
56	57	**Loehmann's,**[22] Bronx, N.Y.	APP	387	334	15.9	27.4	22.4	22.3	73	69	75
57	58	**Chief Auto Parts,** Dallas, Texas	AUTO	375	325	15.4	NA	NA	—	479	503	535
58	68	**Hypermart USA,**[23] Bentonville, Ark.	HYPER	367	275	33.5	3.0	NA	—	3	3	4
59	65	**Filene's Basement,**[24] Wellesley, Mass.	APP	358	300	19.2	5.5	(27.0)	—	22	25	30
60	59	**Tops Appliances,** Edison, N.J.	CE	345	320	7.8	NA	NA	—	2	3	4
61	64	**Consumers Distributing,** Edison, N.J.	CAT	335	300	11.7	NA	NA	—	86	87	87
62	61	**Oshman's,**[25] Easton, Texas	SPORT	317	305	3.9	(1.5)	7.8	—	193	193	200
63	63	**Bi-Mart,** Eugene, Ore.	DDS	315	300	5.0	NA	NA	—	38	41	44
64	110	**Office Depot,** Boca Raton, Fla.	OFFICE	314	132	137.9	9.7	3.9	148.7	26	67	125
65	66	**Syms,** Lyndhurst, N.J.	APP	301	283	6.4	32.9	30.9	6.5	22	27	27
66	70	**Ann & Hope,** Cumberland, R.I.	DDS	292	265	10.2	NA	NA	—	6	6	NA
67	73	**Whitlock,**[26] Des Plaines, Ill.	AUTO	285	260	9.6	NA	NA	—	252	280	NA
68	69	**Clover,** Philadelphia, Pa.	DDS	280	274	2.2	NA	NA	—	22	23	24
69	72	**Brendle's,** Elkin, N.C.	CAT	277	261	6.0	5.7	2.4	137.5	40	45	55
70	78	**Trak Auto,** Landover, Md.	AUTO	276	243	13.6	4.2	4.6	(8.7)	274	308	NA
71	76	**Makro,**[27] Cincinnati, Ohio	CLUB	270	250	8.0	NA	NA	—	6	9	0
72	71	**Nationwise,** Columbus, Ohio	AUTO	270	262	3.1	NA	NA	—	267	270	290
73	77	**Warehouse Club,** Skokie, Ill.	CLUB	267	249	7.2	2.2	(0.6)	—	12	12	12
74	80	**American TV,** Madison, Wis.	CE	250	235	6.4	NA	NA	—	7	7	7
75	86	**Dress Barn,**[28] Stamford, Conn.	APP	249	204	22.1	19.0	15.8	20.3	378	436	470

Chain Codes: ● **DDS:** Discount Department Store ● **APP:** Off—Price Apparel Chain ● **CE:** Consumer Electronics Chain ● **CAT:** Catalog Showroom Chain ● **AUTO:** Auto Aftermarket Specialty Chain ● **CLUB:** Membership Warehouse Club ● **SPORT:** Sporting Goods Specialty Chain ● **TOY:** Toy Specialty Chain ● **DOLLAR:** Dollar Discount Chain ● **DRUG:** Drug Chain (with high percentage of general merchandise and apparel) ● **CLOSE:** Closeout Goods Chain ● **HYPER:** Hypermarket ● **OFFICE:** Office Supply Megastore

Sales: *Total U.S. store volume from apparel, general merchandise, groceries.*

Earnings: *Operating income (profit/loss from continuing operations, before taxes and extraordinary items).*

NA: Not available

(NA): Unknown loss

NR: Not ranked in that year

[1] *K mart sales and store counts are U.S. K mart stores only; earnings include K mart stores, Pace and Makro clubs, Canadian Kresge and Jupiter stores, and one American Fare hypermarket. 1989 operating income also excludes a $598 million non-recurring charge for K mart store restructuring.*

[2] *Wal-Mart figures are for Wal-Mart discount stores, SuperCenters and Hypermart USA.*

[3] *Montgomery Ward is classified as DDS due to everday low price strategy and specialty store concept.*

[4] *Ames' earnings represent net income.*

[5] *Toys "R" Us sales include international toy stores (U.S. only toy store sales were approximately $3.8 billion in 1989); store counts are U.S. only.*

[6] *Meijer includes combination food/general mechandise stores and four general merchandise only units.*

[7] *Venture operated as a discontinued operation of The May Co. spin-off planned in 1990.*

[8] *Western Auto includes Tire America and NTW tire specialty stores and wholesale revenues from supplying 1,192 Western Auto associate stores.*

[9] *Jamesway's earnings represent net income.*

[10] *Child World's earnings represent net income.*

[11] *Burlington Coat Factory's earnings represent net income.*

[12] *Northern Automotive includes Schuck's, Checker, Kragen, Crown and Autoworks chains.*

[13] *Family Dollar's sales and earnings are for fiscal year ended Aug. 31.*

[14] *Smitty's earnings represent net income.*

[15] *Ross Stores earnings represent net income.*

[16] *Thrifty Corp. includes Big 5, MC Sporting Goods, Gart Bros., Browns, Dave Cook, and Mages sporting goods.*

[17] *Lechmere was spun off from Dayton Hudson in 1989.*

[18] *Consolidated Stores includes $15.2 million in wholesale revenue.*

[19] *Best Buy's 1989 sales are for 11 months due to change in company's fiscal year.*

[20] *Pic N' Save operates under the names Pic N' Save, Job Lot Pushcart and The "WOW" Store.*

[21] *Value City's sales are for fiscal year ended July 31.*

[22] *Loehmann's earnings represent earnings before interest, depreciation, taxes and amortization.*

[23] *Hypermart USA's units were renamed Wal-Mart's Hypermart USA in 1990 and remerchandised to more closely resemble the Wal-Mart SuperCenter concept.*

[24] *Filene's Basement's earnings represent net income or loss.*

[25] *Oshman's includes SuperSports USA, Oshman's and Housport chains.*

[26] *Whitlock Auto includes Whitlock, R&S Strauss and Rose Auto chains.*

[27] *Makro merged with Pace in 1990.*

[28] *Dress Barn's earnings represent net income.*

Source: DSN research

The Discount Industry's Top 150 Chains

Rank		Chain, Headquarters	Code	Sales (In Millions)		Percent Change	Earnings* (Loss) (In Millions)		Percent Change	Number of Stores		
1989	1988			1989	1988		1989	1988		1/89	1/90	Proj. 1/91
76	79	**Newmark & Lewis,** Hicksville, N.Y.	CE	$ 246	$ 238	3.4%	$ 1.9	$ 4.6	—	52	50	68
77	89	**Bill's Dollar Stores,** Jackson, Miss.	DOLLAR	245	191	28.3	NA	NA	—	400	500	560
78	82	**Rich's,** Salem, Mass.	DDS	238	232	2.6	3.1	4.7	(34.0%)	21	22	24
79	122	**Super City,** Tucson, Ariz.	OFFICE	231	100	131.0	NA	NA	—	16	37	73
80	60	**ALCO,**[1] Abilene, Kan.	DDS	225	317	(29.0)	NA	(5.9)	—	150	100	100
81	83	**Fretter,**[2] Livonia, Mich.	CE	225	231	(2.6)	4.2	2.2	90.9	52	56	61
82	84	**L. Luria & Son.,** Miami Lakes, Fla.	CAT	221	216	2.3	5.5	8.0	(31.3)	48	49	52
83	87	**Harts,**[3] Columbus, Ohio	DDS	215	204	5.4	NA	3.0	(100.0)	33	35	35
84	67	**S.E. Nichols,**[4] New York, N.Y.	DDS	214	277	(22.7)	(44.6)	(8.7)	—	45	34	30
85	101	**Bigg's,** Cincinnati, Ohio	HYPER	200	150	33.3	NA	NA	—	3	4	4
86	92	**Goody's Family Clothing,** Knoxville, Tenn.	APP	200	180	11.1	NA	NA	—	80	90	100
87	90	**Grand Auto,**[5] Oakland, Calif.	AUTO	200	190	5.3	NA	NA	—	135	134	140
88	81	**The Wiz,** New York, N.Y.	CE	200	235	(14.9)	NA	NA	—	26	26	27
89	103	**The Good Guys,** San Francisco, Calif.	CE	195	149	30.9	6.9	5.3	30.2	18	22	34
90	96	**Sportmart,** Niles, Ill.	SPORT	190	165	15.2	NA	NA	—	21	24	24
91	93	**Clothestime,** Anaheim, Calif.	APP	188	171	9.9	0.5	(4.8)	—	335	359	379
92	99	**Prange Way,** Green Bay, Wis.	DDS	185	160	15.6	NA	11.0	—	25	25	25
93	95	**Quality Stores,** N. Muskegon, Mich.	DDS	185	165	12.1	NA	NA	—	54	59	65
94	123	**Staples,**[6] Newton, Mass.	OFFICE	182	98	85.7	5.7	6.2	(8.1)	22	38	70
95	94	**K's Merchandise,** Decatur, Ill.	CAT	180	165	9.1	NA	NA	—	11	12	NA
96	98	**Circus World,**[7] Farmingdale, N.Y.	TOY	178	163	9.0	5.5	5.0	10.0	326	326	NA
97	100	**Wall to Wall Sound,**[8] Cinnaminson, N.J.	CE	172	152	13.2	(3.7)	1.0	—	94	102	102
98	62	**Heck's,**[9] Nitro, W.Va.	DDS	169	301	(43.9)	(41.4)	(45.6)	—	75	55	0
99	NR	**Bargain Time,** [10] Oklahoma City, Okla.	CLOSE	160	0	—	NA	NA	—	0	190	180
100	85	**Gee Bee,** [11] Johnstown, Pa.	DDS	160	210	(23.8)	NA	NA	—	23	17	0
101	102	**Swallen's,** Cincinnati, Ohio	DDS	160	150	6.7	NA	NA	—	9	9	9
102	107	**Trader Horn,** Hasbrouck Heights, N.J.	CE	160	140	14.3	NA	NA	—	16	16	18
103	108	**Stein Mart,** Jacksonville, Fla.	DDS	159	139	14.4	NA	9.7	—	28	32	32
104	104	**Jack's,** Quincy, Ill.	DDS	155	140	10.7	NA	NA	—	12	13	13
105	106	**Stuarts,** Hopkinton, Mass.	DDS	150	140	7.1	(0.5)	0.9	—	20	23	23
106	88	**Audio-Video Affiliates,** [12] Dayton, Ohio	CE	144	196	(26.5)	(2.6)	3.1	—	125	73	80
107	133	**Wal-Mart SuperCenter,** Bentonville, Ark.	HYPER	140	80	75.0	6.0	NA	—	2	3	6
108	115	**The Andersons,** Maumee, Ohio	DDS	134	119	12.6	NA	NA	—	6	6	6
109	NR	**BizMart,** Arlington, Texas	OFFICE	133	34	291.2	NA	NA	—	10	31	57
110	109	**Chaffin,**[13] Dodge City, Kan.	DDS	130	135	(3.7)	NA	NA	—	32	32	32
111	111	**David Weis,** Monroeville, Pa.	CAT	130	125	4.0	NA	NA	—	17	18	NA
112	114	**Grandpa Pidgeon's,** Bridgeton, Mo.	DDS	130	120	8.3	NA	NA	—	8	9	9
113	NR	**Office Club,** Concord, Calif.	OFFICE	126	51	147.1	NA	(3.3)	—	15	37	89
114	117	**G.I. Joe's,** Wilsonville, Ore.	DDS	123	115	7.0	NA	NA	—	11	13	14
115	116	**The Present Co.,**[14] Rochester, N.Y.	CAT	122	116	5.2	NA	NA	—	31	31	32
116	125	**Champs Sports,** Bradenton, Fla.	SPORT	120	88	36.4	NA	NA	—	134	199	254
117	105	**Sky City,** Asheville, N.C.	DDS	120	140	(14.3)	NA	NA	—	72	57	67
118	113	**W. Bell,** Rockville, Md.	CAT	111	123	(10.1)	(4.8)	2.2	—	18	20	20
119	121	**Fred Schmid,** Denver, Colo.	CE	105	100	5.0	NA	NA	—	19	19	20
120	97	**TSS,**[15] Brooklyn, N.Y.	DDS	105	164	(36.0)	NA	NA	—	28	13	0
121	124	**NBO Stores,** Secaucus, N.J.	APP	101	96	5.2	NA	NA	—	34	38	40
122	118	**Arvey Paper,** Chicago, Ill.	OFFICE	100	100	0.0	NA	NA	—	36	36	41
123	129	**Tuesday Morning,** Dallas, Texas	CLOSE	98	82	19.5	6.5	5.3	22.6	101	114	131
124	127	**Academy,** Houston, Texas	SPORT	97	82	18.3	NA	NA	—	24	25	32
125	126	**Laneco,**[16] Palmer, Pa.	DDS	95	85	11.8	NA	NA	—	14	15	15
126	NR	**OW Office Warehouse,** Virginia Beach, Va.	OFFICE	95	0	—	NA	NA	—	2	12	28
127	130	**Building #19,** Hingham. Mass.	CLOSE	90	80	12.5	NA	NA	—	9	9	10
128	112	**Luskin's,** Baltimore, Md.	CE	90	123	(26.8)	NA	NA	—	45	32	34
129	138	**J & R Music World,** Brooklyn, N.Y.	CE	85	67.5	25.5	NA	NA	—	2	2	2
130	136	**Evans,** Rockville, Md.	CAT	84	72	16.7	NA	NA	—	9	10	12
131	128	**The Fair Company,** Worcester, Mass.	DDS	82	82	0.0	NA	NA	—	8	8	8
132	NR	**American Fare,** Troy, Mich.	HYPER	80	0	—	NA	NA	—	0	1	3
133	119	**Brick Church,**[17] Orange, N.J.	CE	80	100	(20.0)	NA	NA	—	40	40	0
134	131	**Dahlkemper's,** Erie, Pa.	CAT	80	80	0.0	NA	NA	—	8	9	9
135	137	**Modell's,** East Meadow, N.Y.	SPORT	80	71	12.3	NA	NA	—	23	31	36
136	134	**Big Bear Plus,** Columbus, Ohio	HYPER	79	75	5.3	NA	NA	—	4	4	4
137	141	**One Price Clothing Stores,**[18] Duncan, S.C.	APP	79	64	23.4	2.9	2.8	3.6	155	225	305
138	135	**Van Leunen's,** Cincinnati, Ohio	DDS	75	75	0.0	NA	NA	—	7	7	7
139	139	**Club Wholesale,** Meridian, Idaho	CLUB	70	65	7.7	NA	NA	—	5	5	6
140	143	**Odd Job Trading,** New York, N.Y.	CLOSE	69	60	15.0	NA	NA	—	16	16	17
141	140	**K & K Toys,** Norfolk, Va.	TOY	68	65	4.6	NA	NA	—	119	130	135
142	142	**Carrefour,** Philadelphia, Pa.	HYPER	65	60	8.3	NA	(NA)	—	1	1	2
143	NR	**Sports Authority,** Fort Lauderdale, Fla.	SPORT	65	40	62.5	NA	NA	—	4	8	18
144	149	**S&K Famous Brands,** Richmond, Va.	APP	61	52	17.3	2.6	2.1	23.8	74	90	100
145	NR	**Twin Valu,** Minneapolis, Minn.	HYPER	60	0	—	NA	NA	—	0	1	2
146	NR	**Sports Unlimited,** Tampa, Fla.	SPORT	59	45	31.1	5.3	4	32.5	7	11	19
147	NR	**50-Off Stores,**[19] San Antonio, Texas	APP	58	44	32.6	1.9	1.5	26.7	28	34	44
148	145	**Apex,** Pawtucket, R.I.	DDS	57	55	3.6	NA	NA	—	3	3	3
149	147	**Click,**[20] Akron, Ohio	DDS	57	54	5.6	NA	NA	—	9	9	9
150	148	**Witmark,** Grand Rapids, Mich.	CAT	56	53	5.7	NA	NA	—	9	9	9
		Top 10 Totals and Averages:		$ 83,018	$ 70,930	17.0%	—	—	—	5,760	5,980	6,136
		Top 25 Totals and Averages:		$110,220	$ 95,686	15.2%	—	—	—	8,421	8,900	9,315
		Top 50 Totals and Averages:		$127,840	$111,806	14.3%	—	—	—	15,750	16,723	17,689
		Top 100 Totals and Averages:		$141,144	$123,929	13.9%	—	—	—	20,763	22,303	22,692
		Top 150 Totals and Averages:		$146,115	$128,271	13.9%	—	—	—	22,172	23,892	24,554

Sales: *Total U.S. store volume from apparel, general merchandise, groceries.*

Earnings: *Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated.*

NA: Not available

(NA): Unknown loss

NR: Not ranked in that year

[1] *ALCO filed for Chapter 11 in May 1989.*

[2] *Fretter's earnings reflect change in method of accounting for the sale of service contracts.*

[3] *Harts excludes 4 Big Bear Plus stores; 1989 sales projected to reflect 52-week period.*

[4] *S.E. Nichols is in process of converting to deep discount drug store format.*

[5] *Grand Auto formerly Paccar Inc. Includes Al's Auto Supply.*

[6] *Staples' earnings represent net income.*

[7] *Circus World formerly Greenman Bros.; Also operates Playland and Playworld chains.*

[8] *Wall to Wall's earnings represent net income or loss.*

[9] *Heck's operated in Chapter 11 through 1989. Sold stores to Jordache in 1990. Now operates under name L.A. Joe.*

[10] *Bargain Time, a division of McCrory, was new startup in 1988 with core of 103 Odd Lot Trading stores acquired from Revco.*

[11] *Gee Bee's parent, Glosser Bros., is in Chapter 11. Sales include 18 Dollar Bargain closeout stores. Store count is Gee Bee only. Parent sold to Schottenstein Stores in April 1990.*

[12] *Audio-Video Affiliates earnings represent net income or loss.*

[13] *Chaffin also operates as Gibson's Discount Stores.*

[14] *The Present Co. includes Save-Rite acquisition.*

[15] *TSS after filing for Chapter 11 in 1989, only one store still in operation in 1990. Expected to be closed after liquidating inventory.*

[16] *Laneco includes combo stores only, excludes supermarkets.*

[17] *Brick Church was acquired by Newmark & Lewis in 1990.*

[18] *One Price Clothing Stores earnings represent net income.*

[19] *50-Off Stores earnings represent net income.*

[20] *Click includes grocery and general merchandise sales from combo stores, excludes sales from supermarkets.*

Source: DSN research

For Discounters, It's Survival of the Biggest

K mart's industry dominance in sales, profits, store count and selling space showed signs of slippage last year as Wal-Mart surpassed the No. 1 discounter in operating profit and closed the gap in other key measurements of chain size.

Wal-Mart was the profit leader in 1989, with operating earnings in excess of $1.5 billion. While K mart appears to have hit a profit ceiling, at least temporarily, Wal-Mart bounds ahead by a few million each year. In fact, K mart profits slipped below Wal-Mart's 1988 level.

The trend toward the big chains getting bigger at the expense of the smaller retailers continued last year, evidenced by the broader spectrum of profits reported by the top 20 profit makers.

Price Club and Sam's were no longer the only membership warehouse clubs to be among the profit leaders. Dramatic increases in the bottom line at Costco brought the club operator squarely among top earners.

The chains at the bottom of the profit leaders list struggle to maintain profitability; three out of the bottom four reported profit decreases between 1989 and 1988 as well as between 1988 and 1987.

Store count leaders changed significantly between 1989 and 1988 as Wal-Mart pushed ahead of Dollar General's store count, adding a fourth retailer to those operating over 1,000 units.

The only two chains among the store count leaders closing stores during 1989 were the two that may have bitten off more they could chew in terms of acquisitions: Ames and Northern Auto.

The Ames closings are clearly linked to the discounter's inability to profitably assimilate the Zayre stores. Northern Automotive bought the Checker and Kragen chains from Lucky Stores in 1988, bringing store count up to 873 by the end of that year.

Sales Volume Leaders

Chain	Code	Sales (In Millions) 1989	1988	1987	Percent Change '88-'89
K mart	DDS	$24,210	$22,940	$22,241	5.5%
Wal-Mart	DDS	20,970	16,820	13,248	24.7
Target	DDS	7,519	6,331	5,306	18.8
Montgomery Ward	DDS	5,028	4,865	4,639	3.4
Ames	DDS	4,986	3,363	2,112	48.3
Price Club	CLUB	4,901	4,053	3,236	20.9
Sam's	CLUB	4,841	3,829	2,711	26.4
Toys "R" Us	TOY	4,313	3,647	2,887	18.3
Service Merchandise	CAT	3,307	3,093	2,719	6.9
Costco	CLUB	2,943	1,989	1,370	48.0
Meijer	DDS	2,800	2,500	2,750	12.0
Fred Meyer	DDS	2,284	2,070	1,848	10.3
Circuit City	CE	2,100	1,721	1,350	22.0
Hills	DDS	2,075	1,670	1,514	24.3
Best Products	CAT	2,055	2,048	2,067	0.3
Marshalls	APP	1,939	1,753	1,603	10.6
Pace	CLUB	1,710	1,271	940	34.5
Bradlees	DDS	1,700	2,107	2,064	(19.3)
T.J. Maxx	APP	1,700	1,500	1,288	13.3
Caldor	DDS	1,651	1,568	1,502	5.3

Source: DSN *research*

Selling Space Leaders

Chain	Code	Number of Stores 1/90	Proj. 1/91	Average Store Size (In 000 Sq. Ft.)	Total Footage (In 000 Sq. Ft.)
K mart	DDS	2,194	2,248	57	125,058
Wal-Mart	DDS	1,402	1,572	70	98,140
Ames	DDS	680	460	65	44,200
Target	DDS	401	430	99	39,699
Montgomery Ward	DDS	333	386	100	33,300
Toys "R" Us	TOY	404	449	46	18,584
Dress Barn	APP	436	470	42	18,312
Hills	DDS	208	214	82	17,056
Fred Meyer	DDS	125	125	136	17,000
Service Merchandise	CAT	334	349	50	16,700
Pay Less NW	DRUG	294	339	52	15,288
Sam's	CLUB	123	148	110	13,530
Best Products	CAT	194	195	65	12,610
Family Dollar	DOLLAR	1,600	1,700	7	11,200
Bradlees	DDS	130	130	86	11,180
Rose's	DDS	259	262	43	11,137
Caldor	DDS	118	124	93	10,974
Marshalls	APP	347	386	29	10,063
ShopKo	DDS	98	108	99	9,702
Consolidated Stores	CLOSE	336	356	28	9,408

Source: DSN *research*

Store Count Leaders

Chain	Code	Number of Stores 1989	1988	1/90	Proj. 1/91
K mart	DDS	2,105	2,145	2,194	2,248
Family Dollar	DOLLAR	1,350	1,500	1,600	1,700
Wal-Mart	DDS	1,114	1,259	1,402	1,572
Dollar General	DOLLAR	1,302	1,307	1,378	1,478
Northern Automotive	AUTO	478	873	828	850
Kay-Bee	TOY	676	727	777	827
Ames	DDS	488	820	680	460
Hit or Miss	APP	485	506	546	591
AutoZone	AUTO	396	441	511	550
Chief Auto Parts	AUTO	465	479	503	535
Bill's Dollar Stores	DOLLAR	340	400	500	560
Western Auto	AUTO	394	424	468	518
Dress Barn	APP	302	378	436	470
Toys "R" Us	TOY	350	358	404	449
Target	DDS	317	341	401	430
Clothestime	APP	338	335	359	379
T.J. Maxx	APP	265	308	352	397
Marshalls	APP	286	309	347	386
Consolidated Stores	CLOSE	295	308	336	356
Service Merchandise	CAT	309	317	334	349

Source: DSN *research*

Profit Leaders

Chain	Code	Sales (In Millions) 1989	Earnings* (Loss) (In Millions) 1989	1988	Earning Percent Change
Wal-Mart	DDS	$20,970	$1,539.0	$1,325.0	16.2%
K mart	DDS	24,210	1,318.0	1,436.0	(8.2)
Toys "R" Us	TOY	4,313	493.7	417.9	18.1
Target	DDS	7,519	449.0	341.0	31.7
Price Club	CLUB	4,901	191.9	156.6	22.5
Marshalls	APP	1,939	166.0	158.0	5.1
T.J. Maxx	APP	1,700	137.0	134.0	2.2
Sam's	CLUB	4,841	131.0	100.0	31.0
Circuit City	CE	2,100	128.0	114.5	11.8
Service Merchandise	CAT	3,307	111.8	121.3	(7.8)
Caldor	DDS	1,651	108.9	89.7	21.4
Hills	DDS	2,075	108.1	97.7	10.6
ShopKo	DDS	1,556	86.3	76.3	13.1
Venture	DDS	1,339	80.0	81.0	(1.2)
Best Products	CAT	2,055	73.5	NA	—
Costco	CLUB	2,943	55.5	31.1	78.5
Pep Boys	AUTO	799	55.1	60.2	(8.5)
Pic 'N' Save	CLOSE	475	50.9	77.7	(34.5)
Burlington Coat	APP	779	36.0	30.0	20.0
Family Dollar	DOLLAR	757	35.1	44.2	(20.6)

**Earnings: Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated. NA: Not available ( ) Loss*

Source: DSN *research*

Office Superstores Top List of Growing Chains

Office supply superstores were the newsmakers in terms of percentage sales growth, opening up new opportunities for suppliers looking for growth in the fairly flat sales environment of the '90s.

Hypermarkets, like office supply superstores, are relatively new to the discount retail scene and were therefore also able to be well-represented among the top percentage sales growth chains due to the small initial sales base.

The real victories came from Wal-Mart and Hills which, despite their comparatively long history and established sales base, were among the top percentage sales growth retailers last year.

While new retail concepts dominated percentage sales growth statistics, dollar for dollar, discount department stores were still at the industry helm. Wal-Mart, Ames, K mart and Target were the top four in dollar sales growth, with warehouse clubs not far behind.

Unlike the clubs, however, the dollar growth at full-line discounters is primarily being fueled by new store expansion. Wal-Mart, after opening 143 units last year, plans to further attack the U.S. market with another 170 units during this year. The chain will be ahead of the store opening plans for all other discount, dollar, variety and specialty store retailers.

Full-line discounters also topped the list of leading dollar earnings growth retailers. Target shot up to the second most profitable dollar growth chain with a $108 million surge in profits during 1989. Wal-Mart, No. 1 in profits growth, doubled Target's impressive dollar profit surge.

Top Chains in Dollar Sales Growth

Chain	**Code**	**Sales** (In Millions) 1989	**Sales** (In Millions) 1988	**Percent Change**	**Sales Growth** (In Millions)
Wal-Mart	DDS	$20,970	$16,820	24.7%	$4,150
Ames	DDS	4,986	3,363	48.3	1,623
K mart	DDS	24,210	22,940	5.5	1,270
Target	DDS	7,519	6,331	18.8	1,188
Sam's	CLUB	4,841	3,829	26.4	1,012
Costco	CLUB	2,943	1,989	48.0	954
Price Club	CLUB	4,901	4,053	20.9	848
Toys "R" Us	TOY	4,313	3,647	18.3	666
Pace	CLUB	1,710	1,271	34.5	439
Hills	DDS	2,075	1,670	24.3	405
Circuit City	CE	2,100	1,721	22.0	379
Meijer	DDS	2,800	2,500	12.0	300
ShopKo	DDS	1,556	1,280	21.6	276
Fred Meyer	DDS	2,284	2,070	10.3	214
Service Merchandise	CAT	3,307	3,093	6.9	214
T.J. Maxx	APP	1,700	1,500	13.3	200
Marshalls	APP	1,939	1,753	10.6	186
Office Depot	OFFICE	314	132	137.9	182
BJ's Wholesale Club	CLUB	985	817	20.6	168
The Wholesale Club	CLUB	570	402	41.8	168

Source: DSN research

Top Chains in Percentage Sales Growth

Chain	**Code**	**Sales** (In Millions) 1989	**Sales** (In Millions) 1988	**Sales** (In Millions) 1987	**Percent Change '88-'89**
BizMart	OFFICE	$ 133	$ 34	NA	291.2%
Office Club	OFFICE	126	51	$ 11	147.1
Office Depot	OFFICE	314	132	34	137.9
Super City	OFFICE	231	100	100	131.0
Staples	OFFICE	182	98	40	85.7
Wal-Mart SuperCenter	HYPER	140	80	—	75.0
Ames	DDS	4,986	3,363	2,112	48.3
Costco	CLUB	2,943	1,989	1,370	48.0
The Wholesale Club	CLUB	570	402	272	41.8
Champs Sports	SPORT	120	88	43	36.4
Kids "R" Us	APP	475	353	250	34.6
Pace	CLUB	1,710	1,271	940	34.5
Hypermart USA	HYPER	367	275	0	33.5
Bigg's	HYPER	200	150	100	33.3
The Good Guys	CE	195	149	120	30.9
Bill's Dollar Stores	DOLLAR	245	191	164	28.3
Sam's	CLUB	4,841	3,829	2,711	26.4
Wal-Mart	DDS	20,970	16,820	13,248	24.7
Price Savers	CLUB	685	551	300	24.3
Hills	DDS	2,075	1,670	1,514	24.3

Minimum $100 million in 1989 sales *NA—not available.* *Source: DSN research*

Top Chains in Store Count Growth

Chain	**Code**	**Number of Stores** 1989	**Number of Stores** 1988	**Number of Stores** Proj. 1/91	**Number of New Stores in 1988**
Bargain Time	CLOSE	0	190	180	190
Wal-Mart	DDS	1,259	1,402	1,572	143
Bill's Dollar Stores	DOLLAR	400	500	560	100
Family Dollar	DOLLAR	1,500	1,600	1,700	100
Dollar General	DOLLAR	1,307	1,378	1,478	71
AutoZone	AUTO	441	511	550	70
One Price Clothing Stores	APP	155	225	305	70
Champs Sports	SPORT	134	199	254	65
Target	DDS	341	401	430	60
Dress Barn	APP	378	436	470	58
Kay-Bee	TOY	727	777	827	50
K mart	DDS	2,145	2,194	2,248	49
Toys "R" Us	TOY	358	404	449	46
T.J. Maxx	APP	308	352	397	44
Western Auto	AUTO	424	468	518	44
Hills	DDS	167	208	214	41
Office Depot	OFFICE	26	67	125	41
Hit or Miss	APP	506	546	591	40
Marshalls	APP	309	347	386	38
Pep Boys	AUTO	243	281	319	38

Source: DSN research

Top Chains in Dollar Earnings Growth

Chain	**Code**	**Earnings* (Loss)** (In Millions) 1989	**Earnings* (Loss)** (In Millions) 1988	**Percent Change**	**Earnings Growth** (In Millions)
Wal-Mart	DDS	$1,539.0	$1,325.0	16.2%	$214.0
Target	DDS	449.0	341.0	31.7	108.0
Toys "R" Us	TOY	493.7	417.9	18.1	75.8
Price Club	CLUB	191.9	156.6	22.5	35.3
Filene's Basement	APP	5.5	(27.0)	—	32.5
Sam's	CLUB	131.0	100.0	31.0	31.0
Costco	CLUB	55.5	31.1	78.5	24.4
Caldor	DDS	108.9	89.7	21.4	19.2
Alexander's	DDS	17.5	2.5	600.0	15.0
Circuit City	CE	128.0	114.5	11.8	13.5
Hills	DDS	108.1	97.7	10.6	10.4
ShopKo	DDS	86.3	76.3	13.1	10.0
BJ's Wholesale Club	CLUB	18.6	9.5	95.8	9.1
Kids "R" Us	APP	20.0	10.9	83.5	9.1
Marshalls	APP	166.0	158.0	5.1	8.0
Burlington Coat	APP	36.0	30.0	20.0	6.0
Office Depot	OFFICE	9.7	3.9	148.7	5.8
Clothestime	APP	0.5	(4.8)	—	5.3
Hit or Miss	APP	16.0	11.0	45.5	5.0
Loehmann's	APP	27.4	22.4	22.3	5.0

**Earnings: Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated.*

Source: DSN research

Top 52 Full-Liners Post 12% Sales Gain

The top 52 discount department store operators achieved nearly a 12 percent increase in sales last year, despite declines by more than 10 regional companies.

However, sales drops at these mid-sized retailers were more than offset by whopping dollar and percentage increases among the industry's largest chains.

K mart's U.S. discount department store sales grew 5.5 percent, adding nearly $1.3 billion in sales to the full-line discount store pie last year. Wal-Mart's discount stores recorded a whopping 25 percent sales gain, while Target's sales grew by nearly 19 percent, as the Big Three further distanced themselves from the rest of the field.

The $6.7 billion in new sales generated by discounting's Big Three was more volume than *any* other single chain could achieve in total sales last year. In other words, the Big Three together added enough new sales to create the fourth largest chain in the industry.

Despite the growing dominance of K mart, Wal-Mart and Target, the discount industry is hardly a three-chain field. Billion-dollar-plus retailers like Meijer, Fred Meyer, Caldor and ShopKo were successful last year. In all, 13 full-line discount chains were billion dollar retailers last year. And, Jamesway, with $855 million in sales last year, is nearing that lofty perch.

Montgomery Ward, classified as a full-liner due to its everyday pricing strategy and store-within-a-store concepts, achieved a 3.4 percent sales gain.

Ames recorded the largest percentage increase in sales last year due to its acquisition of Zayre in late 1988. However, that turned into a bittersweet achievement as the money-losing Zayre stores dragged the entire company into Chapter 11 this spring. Ames will close over 200 stores this year and probably record one of the industry's greatest sales declines when it reports 1990 sales next year.

Other big sales gainers in 1989 were:

- Hills, up 24 percent;
- ShopKo, up 22 percent;
- Value City, up 20 percent;
- Prange Way, up 16 percent.

Consolidations, bankruptcies and liquidations plagued a number of discount chains in 1989. Among the bigger sales declines were:

- Bradlees' 19 percent slide on a smaller store base;
- Lechmere's 16 percent drop in sales after consolidating following its spin off from Dayton Hudson;
- Alexander's 12 percent slash;
- ALCO's near 30 percent sales decline and Chapter 11 filing;
- S.E. Nichols' 23 percent drop and decision to abandon full-line general merchandise discounting for drug store discounting;
- Heck's 44 percent drop before its sale to Jordache;
- Gee Bee's 24 percent decline while its parent filed Chapter 11;
- Sky City's 14 percent dip;
- TSS' 36 percent sales drop before liquidating this year;
- Mars' 44 percent decline before liquidation;
- Yellow Front's near 80 percent drop in sales before liquidation in 1990.

With a total of $87 billion in sales, these 52 largest full-line discount chains accounted for 94 percent of the estimated $92.2 billion recorded last year by full-line discounters, including smaller independents, hypermarkets, dollar and closeout chains.

Store count growth was substantial in 1989 as the industry's top 52 chains opened 125 new stores last year. However, the Ames' closings and the disappearance of chains like Yellow Front, Heck's, Gee Bee and TSS, has resulted in *DSN* estimating that store count of these chains will decline by year-end.

Top Full-Line Discount Chains

Chain	Sales (In Millions)		Percent Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1989	1988		1/89	1/90	Proj. 1/91	
K mart[1], Troy, Mich.	$24,210	$22,940	5.5%	2,145	2,194	2,248	57
Wal-Mart[2], Bentonville, Ark.	20,970	16,820	24.7	1,259	1,402	1,572	70
Target, Minneapolis, Minn.	7,519	6,331	18.8	341	401	430	99
Montgomery Ward[3] Chicago, Ill.	5,028	4,865	3.4	324	333	386	NA
Ames, Rocky Hill, Conn.	4,986	3,363	48.3	820	680	460	65
Meijer[4], Grand Rapids, Mich.	2,800	2,500	12.0	52	56	60	130
Fred Meyer, Portland, Ore.	2,284	2,070	10.3	112	125	125	136
Hills, Canton, Mass.	2,075	1,670	24.3	167	208	214	82
Bradlees, Braintree, Mass.	1,700	2,107	(19.3)	131	130	130	86
Caldor, Norwalk, Conn.	1,651	1,568	5.3	119	118	124	93
ShopKo, Green Bay, Wis.	1,556	1,280	21.6	89	98	108	99
Rose's, Henderson, N.C.	1,508	1,439	4.8	250	259	262	43
Venture[5], O'Fallon, Mo.	1,339	1,279	4.7	73	75	79	83
Jamesway, Secaucus, N.J.	855	783	9.2	121	131	136	58
Smitty's, Phoenix, Ariz.	755	640	18.0	20	24	24	110
Fedco, Santa Fe Springs, Calif.	720	685	5.1	12	12	12	180
Lechmere[6], Woburn, Mass.	650	769	(15.5)	27	18	18	85
Pamida, Omaha, Neb.	621	568	9.3	165	170	178	25
Alexander's, New York	463	525	(11.8)	13	11	12	262
Fishers Big Wheel New Castle, Pa.	450	420	7.1	92	95	100	45
Value City[7], Columbus, Ohio	430	357	20.4	45	56	56	80
Bi-Mart, Eugene, Ore.	315	300	5.0	38	41	44	30
Ann & Hope, Cumberland, R.I.	292	265	10.2	6	6	NA	180
Clover, Philadelphia, Pa.	280	274	2.2	22	23	24	85
Rich's, Salem, Mass.	238	232	2.6	21	22	24	70
ALCO[8], Abilene, Kan.	225	317	(29.0)	150	100	100	30
Harts[9], Columbus, Ohio	215	204	5.4	33	35	35	68
S.E. Nichols[10], New York	214	277	(22.7)	45	34	30	NA
Quality Stores N. Muskegon, Mich.	185	165	12.1	54	59	65	23
Prange Way Green Bay, Wis.	185	160	15.6	25	25	25	NA
Heck's[11], Nitro, W.Va.	169	301	(43.9)	75	55	0	45
Swallen's, Cincinnati, Ohio	160	150	6.7	9	9	9	133
Gee Bee[12], Johnstown, Pa.	160	210	(23.8)	23	17	0	70
Stein Mart, Jacksonville, Fla.	159	139	14.4	28	32	32	40
Jack's, Quincy, Ill.	155	140	10.7	12	13	13	80
Stuarts, Hopkinton, Mass.	150	140	7.1	20	23	23	60
The Andersons, Maumee, Ohio	134	119	12.6	6	6	6	115
Grandpa Pidgeon's Bridgeton, Mo.	130	120	8.3	8	9	9	79
Chaffin[13], Dodge City, Kan.	130	135	(3.7)	32	32	32	32
G.I. Joe's, Wilsonville, Ore.	123	115	7.0	11	13	14	65
Sky City, Asheville, N.C.	120	140	(14.3)	72	57	67	45
TSS[14], Brooklyn, N.Y.	105	164	(36.0)	28	13	0	175
Laneco[15], Palmer, Pa.	95	85	11.8	14	15	15	NA
The Fair Co., Worcester, Mass.	82	82	0.0	8	8	8	90
Van Leunen's, Cincinnati	75	75	0.0	7	7	7	60
Click[16], Akron, Ohio	57	54	5.6	9	9	9	120
Apex, Pawtucket, R.I.	57	55	3.6	3	3	3	95
Goldblatt Department Stores Chicago, Ill.	52	48	9.0	10	12	12	50
Kingsway, Detroit, Mich.	49	50	(2.0)	3	3	3	140
Mars[17], North Dighton, Mass.	45	80	(43.8)	14	0	0	NA
Magic Mart, Bluefield, Va.	44	40	10.0	16	16	17	40
Yellow Front[18], Phoenix, Ariz.	40	190	(78.9)	155	166	0	15
Total:	$87,010	$77,805	11.8%	7,334	7,459	7,360	

NA — not available

Source: DSN research

[1] *K mart: Sales and store counts are U.S. K mart stores only.*

[2] *Wal-Mart: Figures are for Wal-Mart discount stores, SuperCenters and Hypermart USA.*

[3] *Montgomery Ward: Classified as DDS due to everday low price strategy and specialty store-within-a-store concept.*

[4] *Meijer: Includes combination food/general mechandise stores and four general merchandise only units.*

[5] *Venture: Operated as a discontinued operation of The May Co. spin-off planned in 1990.*

[6] *Lechmere: Spun off from Dayton Hudson in 1989.*

[7] *Value City: Sales are for fiscal year ended July 31.*

[8] *ALCO: Filed for Chapter 11 in May 1989.*

[9] *Harts: Excludes 4 Big Bear Plus stores; 1989 sales projected to reflect 52-week period.*

[10] *S.E. Nichols: In process of converting to deep discount drug store format.*

[11] *Heck's: In 1989, operated in Chapter 11. Sold stores to Jordache in 1990. Now operates under name L.A. Joe.*

[12] *Gee Bee: Parent Glosser Bros. in Chapter 11. Sales include 18 Dollar Bargain closeout stores. Store count is Gee Bee only. Parent sold to Schottenstein Stores in April 1990.*

[13] *Chaffin: Also operates as Gibson's Discount Stores.*

[14] *TSS: After filing for Chapter 11 in 1989, only one store still in operation in 1990. Expected to be closed after liquidating inventory.*

[15] *Laneco: Includes combo stores only, excludes supermarkets.*

[16] *Click: Includes grocery and general merchandise sales from combo stores, excludes sales from supermarkets.*

[17] *Mars: Mars was liquidated during 1989.*

[18] *Yellow Front: Declared Chapter 11 bankruptcy in 1990; now operates 44 stores.*

Catalog Showrooms Enter '90s with New Vigor

The catalog showroom industry enters the last decade of the century in the healthiest state of the past five years.

Paced by its leading chain, Service Merchandise, the industry in 1990 will maintain the measured growth of the past few years and should reach at least $7.7 billion in sales, possibly even attaining the record high of $7.9 billion reached in 1985.

During the past half decade, the contractions in chains, along with financial and operational problems at the end of the 1980s at Service Merchandise and Best Products—the second largest showroom chain—hurt the industry's reputation and position as a major jewelry/hard goods specialty retailer.

The advent of category killer specialty chains in such fields as consumer electronics, housewares, toys and office supplies further impacted the industry's status as the only marketer of a broad assortment of hard lines—middle- and high-end merchandise from all these categories.

While the attention of manufacturers and retailing observers focused on a handful of specialty retailers during the past few years, a simple fact was overlooked:

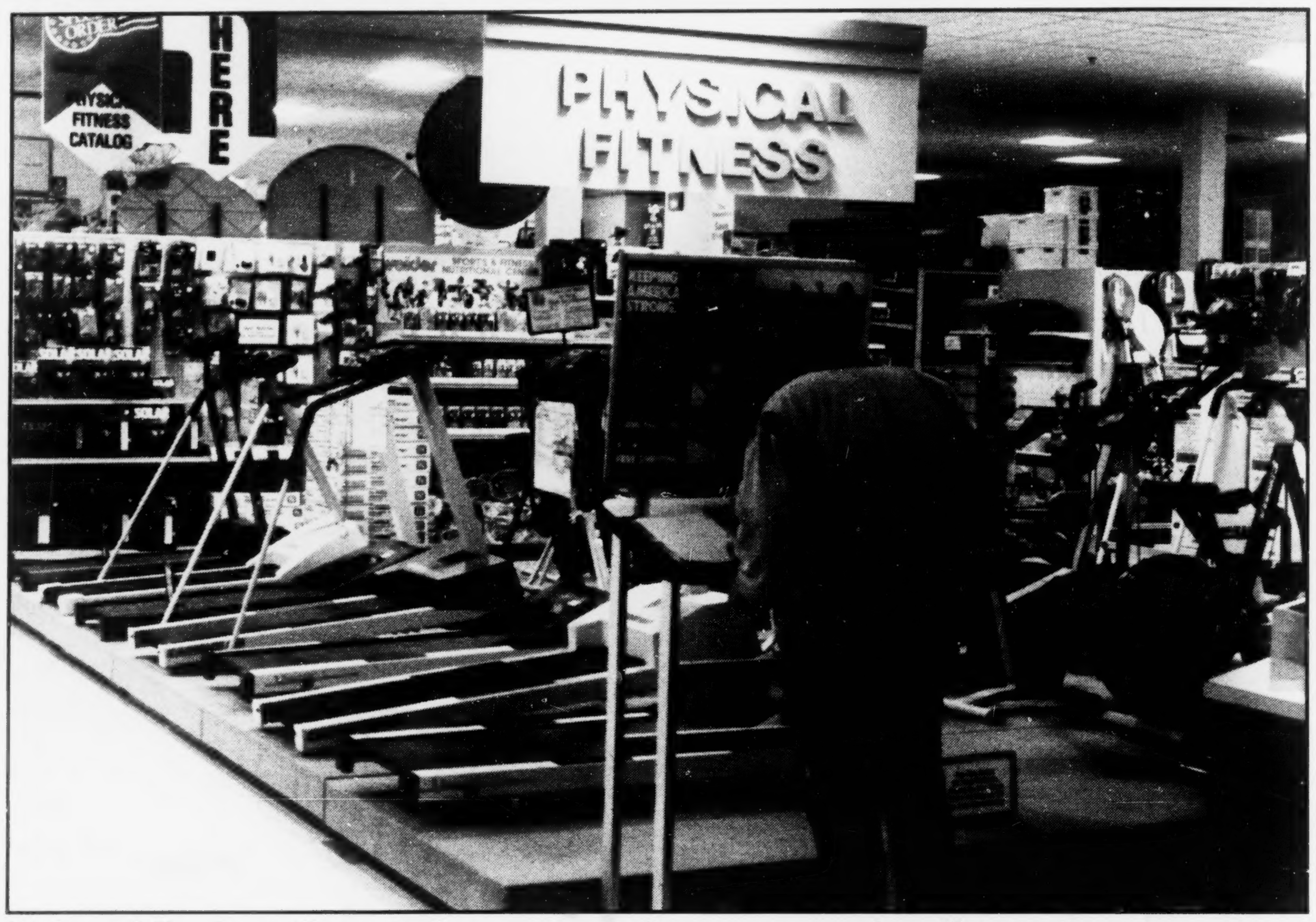
The showroom industry still contains a world of powerful retailers—two multibillion dollar national chains, three regional forces and a host of local powers—all of which use a catalog as a propulsive ad vehicle and feature jewelry as the profit pile-driver and a broad assortment of hard goods as profitable traffic pulling merchandise.

Industry's Basic Strength

The catalog showroom industry's basic strength can be seen from the sales of the approximately 50 showroom chains that account for over 99 percent of the industry's volume, which last year grew to $7.5 billion, a 4.2 percent increase from $7.2 billion in 1988. (The industry also comprises another 50 companies—accounting for about $75 million—that either distribute a catalog as part of their candy/-tobacco wholesale business or else operate a single small showroom.)

That growth continued the industry's $300 million-plus a year sales recovery from the 1986 to 1987 period when volume plunged to $6.9 billion, a 12.6 percent plummet from the 1985 record of $7.9 billion.

The overall sales gain portrays only one part of the picture. It shows the industry's overall performance while masking the continued dominant position of the top dozen-and-a-half catalogers whose $7.2 billion in sales last year accounted for 96.7 percent of the volume; these same chains' $6.9 billion in sales in 1988 were responsible for 96.3 percent of the volume that year.



Richmond, Va.: Best will open its first new store in three years, reopening a Houston showroom. (DSN photo)

Top Catalog Showroom Chains

Chain (Coordinator)	**Sales** (In Millions) **1989**	**Sales** (In Millions) **1988**	**Percent Change**	**Number of Stores** **1/89**	**Number of Stores** **1/90**	**Number of Stores** **Proj. 1/91**
Service Merchandise Nashville, Tenn. (Independent)	$3,307	$3,093	6.9%	317	334	349
Best Products Richmond, Va. (Independent)	2,055	2,048	0.3	194	194	195
Consumers Distributing Edison, N.J. (Independent)	335	300	11.7	86	87	87
Brendle's Elkin, N.C. (MAI)	277	261	6.0	40	45	55
L. Luria & Son. Miami Lakes, Fla. (Independent)	221	216	2.3	48	49	52
K's Merchandise Decatur, Ill. (Paul Schultz)	180	165	9.1	11	12	NA
David Weis Monroeville, Pa. (MAI)	130	125	4.0	17	18	NA
The Present Co. Rochester, N.Y. (MAI)	122	116	5.2	31	31	32
W. Bell Rockville, Md. (Independent)	111	123	(10.1)	18	20	20
Evans Rockville, Md. (MAI)	84	72	16.7	9	10	12
Dahlkemper's Erie, Pa. (Paul Schultz)	80	80	0.0	8	9	9
Witmark Grand Rapids, Mich. (MAI)	56	53	5.7	9	9	9
Sterling Jewelry Dallas, Texas (Paul Schultz)	55	55	0.0	5	5	5
Arthur's Jewelers Plainfield, N.J. (MAI)	50	45	11.1	7	8	8
E.H. Tepe South Bend, Ind. (Paul Schultz)	45	45	0.0	10	10	10
Goldbro Jewelers Birmingham, Ala. (Associated Charter)	40	39	2.6	8	8	8
Folands Livonia, Mich. (Associated Charter)	40	40	0.0	6	6	6
Brand Name Tonawanda, N.Y. (Independent)	32	25	28.0	15	15	15
Fred P. Gattas Memphis, Tenn. (MAI)	30	28	7.1	6	6	6
Total:	$7,249	$6,929	4.6%	845	876	878

Source: DSN research

The catalogers entering the 1990s have a sharper operational focus than during the industry's boom days—a situation that reflects these chains' experience of the past few years. During that period, the successful catalogers learned that they had to concentrate their marketing to a specific format, their merchandising to jewelry and those hard good categories that were compatible with their showroom presentation and delivery of goods.

Some Marketing Methods

This can be seen by looking at the three main showroom formats, the leading players using that marketing method and the sales payoff:

- The traditional concept: samples displayed, goods retrieved from a pickup station. Used by Luria, Consumers Distributing (which also has a half dozen fully self-service units without a pickup desk) and W. Bell in a small store format—10,000 square feet to 15,0000 square feet—that produces store sales between $3 million and $5 million.
- Completely self-service jewelry/hard lines discount stores. Brendle's, David Weis and Evans are among the few catalogers following this format in larger 40,000-square-foot to 50,000-square-foot units that average $6 million to $8 million in sales.
- Hybrids: self-service for some items, such as housewares/toys/sporting goods, with other goods gotten at the pickup desk. Service Merchandise, Best Products, K's Merchandise and Present among others favor this large store format—50,000 square feet to 70,000 square feet—that produces $5 million to $10 million in sales per showroom.

The focus on most chains in the industry this year is on further improving operations to strengthen their position against discount and specialty store competition. The tactics range from deploying jewelry specialty stores as a new growth area to refining assortments by expanding selected categories like home/office merchandise, home furnishing/home decor, as well as juvenile.

New showroom growth will be at a minimum, with Service Merchandise accounting for almost all the gain through its projected 15 new showrooms. Best will unveil its first new store in three years by reopening a closed Houston showroom; Luria will continue to fill in units in Florida where it has all its stores while Brendle's will maintain its expansion in the Southeast.

ANNUAL REPORT/OFF-PRICE APPAREL CHAINS

Off-Pricers Prosper Despite Heavy Markdowns

Top Off-Price Apparel Chains

Chain	Sales (In Millions) 1989	Sales (In Millions) 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91	Average Store Size (000 Sq. Ft.)
Marshalls Wakefield, Mass.	$1,939	$1,753	10.6%	309	347	386	29
T.J. Maxx Framingham, Mass.	1,700	1,500	13.3	308	352	397	25
Burlington Coat Burlington, N.J.	779	650	19.8	134	146	149	57
Ross Stores Newark, Calif.	741	643	15.2	140	156	186	31
Kids "R" Us Rochelle Park, N.J.	475	353	34.6	112	137	167	20
Hit or Miss Framingham, Mass.	400	375	6.7	506	546	591	4
Loehmann's Bronx, N.Y.	387	334	15.9	73	69	75	13
Filene's Basement Wellesley, Mass.	358	300	19.2	22	25	30	30
Syms Lyndhurst, N.J.	301	283	6.4	22	27	27	45
Dress Barn Stamford, Conn.	249	204	22.1	378	436	470	42
Goody's Family Clothing Knoxville, Tenn.	200	180	11.1	80	90	100	25
Clothestime Anaheim, Calif.	188	171	9.9	335	359	379	4
NBO Stores Secaucus, N.J.	101	96	5.2	34	38	40	9
One Price Clothing Stores Duncan, S.C.	79	64	23.4	155	225	305	2
S&K Famous Brands Richmond, Va.	61	52	17.3	74	90	100	4
50-Off Stores San Antonio, Texas	58	44	32.6	28	34	44	18
Total:	$8,016	$7,002	14.5%	2,710	3,077	3,446	

Source: DSN *research*

Most leading apparel chains reported sales and profit growth in 1989, despite a raft of department store bankruptcies that put pressure on margins as well as a general lack of fashion direction.

In the last quarter especially, the problems caused by Campeau, Hooker and other troubled department store owners created a promotional, markdown-heavy retail climate. The confused consumers were torn between the always bargain prices of the discounters and the 50 percent-off sales at the major department stores. No one was winning in this atmosphere.

In addition, though specialty stores such as The Limited, made some strides in setting a fashion pace, no real trend or look emerged to pull customers into a store.

As the fiscal year ended, most apparel chains felt they were on steadier ground. To their credit, throughout a troublesome 1989, the major chains continued to concentrate on new prototypes and expansion plans. Some of this concentration reflected the importance of areas beyond apparel, such as domestics and jewelry.

Upscaling also continued with newer merchandising displays at NBO and Ross Stores or at least with a clearer division of floor space for some discounters such as Syms and Loehmann's.

Recognizing the beginning of a style fashion trend, a number of apparel chains redirected their efforts in the accessories and jewelry areas. The new prototype Ross Stores introduced last year created distinct displays at the front of the stores for these categories.

T.J. Maxx also went after this market. The retailer had featured jewelry departments in 120 of its stores, with more than 70 expected to carry the category in 1990.

TJX Cos. was one of the firms most directly affected by others' financial woes. The firm continued its impressive growth with T.J. Maxx way ahead of its Hit or Miss and Chadwick's divisions. Though the company does not break down sales figures by division, as a whole it reported healthy sales of $2.15 billion, compared with $1.9 billion in 1988.

The Ames problems, however, forced the company to restate its earnings. As the Ames bankruptcy announcement neared, TJX said it was holding a reserve of $185 million against possible losses since it retained 6 percent of Ames' stock in its sale of the Zayre chain in 1988. This resulted in a fiscal year net loss of $161 million. TJX suffered only temporary injuries in this storm. Executives assured stockholders that its cash flow remained unaffected, and future plans for store openings remained on track.

Ross Stores began the year with 154 stores across the country, and aggressively moved ahead with store openings and remodelings. Last year, it introduced a new prototype store and has since incorporated that upscaled look into approximately 20 of its existing stores. New stores are expected to bring the store count to 186 by the end of this year, with more remodelings planned.

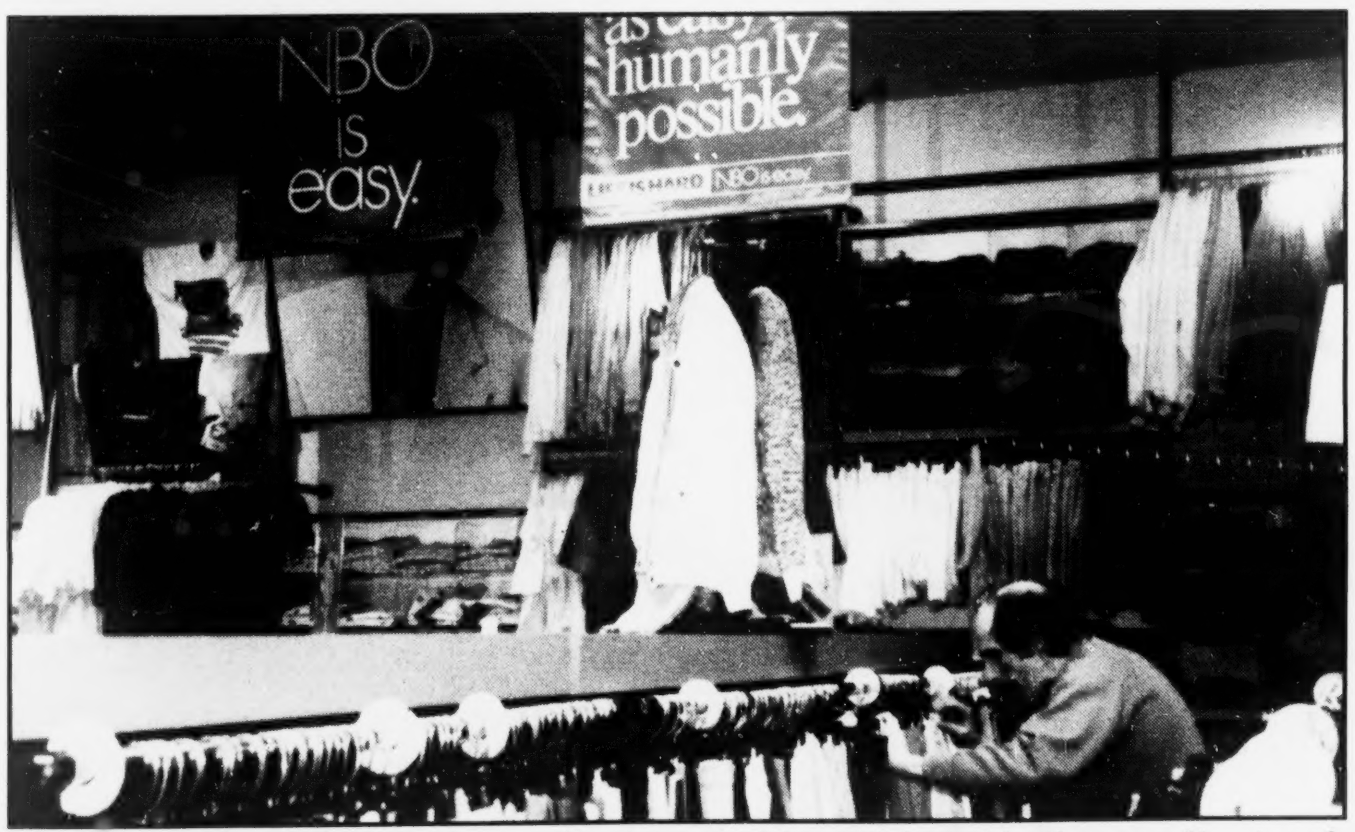
Marshall's, still the leader in the off-price apparel category if you break out T.J. Maxx and Hit or Miss sales separately, succeeded by increasing space for domestics. The chain experimented with "superstores" which are 10 percent larger than average Marshall's stores and are defined by larger home furnishings departments. Close to 12 percent of the retailer's product mix is in domestics and gifts. The chain reported favorable reaction to the new concept, paving the way for future superstores.

Another impressive mover was One Price Clothing Store which ended 1989 with 225 stores, up from 155 a year earlier. Not about to stop there, another 80 stores are on the drawing board.

New on the list this year is Goody's Family Clothing. A policy of "everyday low pricing" helped the the Knoxville, Tenn.-based retailer record healthy sales for 1989. Originally known as Athens Outlet Stores, Goody's has grown to 90 stores in eight states selling family fashions at 20 percent to 40 percent lower margins. The company is poised for even more growth. A larger corporate headquarters and DC was built in 1989 and inaugurated early this year. Five new stores are planned for 1990.

Kids "R" Us, the children's apparel chain operated by toy giant Toys "R" Us seems to be duplicating its parent company's success. Though the company does not release separate financial information for its divisions, reports indicated that Kids "R" Us doubled its net earnings for 1989 and sales rose about 35 percent to $475 million. Thirty more stores are expected to open this year.

Despite a dismal 1988, Clothestime, which posted a net loss of $2.1 million in 1988, rallied back this year, albeit slowly. The California-based retailer opened 24 stores and posted sales of $171 million. Net earnings were back on the positive side, though at $461,000, the company still has a ways to go.



NBO, Brooklyn, N.Y.: *Like other off-pricers, NBO participated in the upscaling trend, making use of such department store touches as trac-lighting and wall graphics.*

Kids "R" Us, Brooklyn, N.Y.: *The childrens's apparel division of Toys "R" Us reportedly doubled its earnings in 1989 and expects to open 30 more stores this year.* (DSN photos)

Clubs Set to Stampede 'Underserved' Northeast

Top Membership Warehouse Clubs

Chain	Sales (In Millions)		Percent Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1989	1988		1/89	1/90	Proj. 1/91	
Price Club San Diego, Calif.	$ 4,901	$ 4,053	20.9%	41	47	55	100
Sam's Bentonville, Ark.	4,841	3,829	26.4	105	123	148	110
Costco Kirkland, Wash.	2,943	1,989	48.0	50	62	72	110
Pace Aurora, Colo	1,710	1,271	34.5	39	47	62	100
BJ's Wholesale Club Natick, Mass.	985	817	20.6	22	23	31	105
Price Savers Salt Lake City, Utah	685	551	24.3	13	14	18	105
The Wholesale Club Indianapolis, Ind.	570	402	41.8	18	23	30	105
Makro[1] Cincinnati, Ohio	270	250	8.0	6	9	0	100
Warehouse Club Skokie, Ill.	267	249	7.2	12	12	12	100
Club Wholesale Meridian, Idaho	70	65	7.7	5	5	6	82
Wholesale Depot Ltd. Partners Natick, Mass.	6	0	—	0	2	6	60
Total:	$17,248	$13,476	28.0%	311	367	440	

[1] *Merged with Pace in 1990.*

Source: DSN *research*

After tilling the ground in 1989, warehouse club operators are poised to plant new units in the Northeast with a vengeance.

Armed with aggressive expansion schedules for the New York, New Jersey, Connecticut, Massachusetts corridor as well as the mid-Atlantic states and New England, the nation's largest as well as the upstart clubs have targeted this underserved region.

Leading the way will be Sam's Wholesale Club, the Wal-Mart arm which plans a major assault on the Northeast, including six units in New York, seven in Pennsylvania, and one each in Delaware, New Hampshire and Maine.

Sam's first store in the region opened in New Jersey last fall in Delran Township, midway between Trenton, N.J., the state's capital, and Philadelphia. The next Sam's will open in Atlantic City followed by a third in Newark, N.J., near the new IKEA home furnishings store.

But Sam's won't be alone among wholesale clubs flexing their muscles in the Northeast. In addition to the handful of clubs already operating in the region (by Price Club, BJ's Wholesale Club and Pace/Makro) many more are projected for the area. Price Club and BJ's have announced plans to increase their presence in the Northeast and Costco is expected to enter the lucrative market this year. Pace's presence in the region should increase, too, a result of the chain's absorption of nine Makro units as well as with new development.

Also, industry newcomer, Metro Warehouse, started by former Makro president Joe Nusim, has targeted the Northeast for its trading area. Metro Warehouse expects to open its first unit in either New Jersey or on Long Island by next spring and end that year with a total of three clubs in the region.

As an industry, warehouse club sales grew by 28 percent last year, to $17.2 billion from $13.5 billion in 1988. At the same time, the number of club units increased 15.2 percent to 367, supporting the fact that warehouse clubs are a mature industry.

At $4.9 billion, Price Club continues to lead the industry in sales, and with its per unit and sales square foot statistics, at approximately $111 million and $1,110 per square foot, respectively.

Sam's, though, is the store count leader with 123 units scattered across 24 states. By the end of the year, Sam's will grow to 148 units and add a handful of new states to a list that soon will include New York, positioning the Arkansas-based chain to become the nation's first national warehouse club company.

Sam's sales, at $4.8 billion, were second only to industry leader Price Club in 1989, but its runner-up status is not expected to continue. Sales gains for Sam's should increase exponentially with its store opening schedule. Sam's will probably overtake Price Club in 1990 as the No. 1 wholesale club chain.

Expansion and growth are not limited to the top two chains.

Costco, the industry's No. 3 ranked chain with more than $2.9 billion in sales, charted the largest sales growth of any club in 1989, 48 percent, a testament to its strong position in the highly competitive industry. This year, Costco expects to open 10 new clubs, mostly in the Northeast.

BJ's, the No. 5 ranked chain with sales of just under $1 billion, will beef up its presence in the Northeast with new clubs scattered across the region.

Sales and club counts should increase this year as dramatically in past years as unit preparation turns into reality. By the end of the year, *DSN* expects the warehouse club business to total more than $22 billion in sales, a 27 percent gain, and over 430 units, a 19 percent jump.

Also, the maturing nature of the business should provide fertile ground for more business mergers or acquisitions.

In addition, clubs will continue to strengthen their selections of fresh fruits and vegetables, add and expand scratch bakeries as well as move to diversify their merchandising with such services as optical departments.

The dearth of growth in the Midwest should also continue in 1990 since the expansion thrust is squarely resting on the Northeast, although some advances are becoming evident.

Sam's, for example, plans to strengthen its presence in Wisconsin and move into Iowa. The Wholesale Club, based in Indianapolis, recently unveiled its 1990 prototype in its hometown and will roll it out to its new club locations this year, said Tom Geisse, senior vice president, marketing.

Also new for 1990 will be two new clubs: Wholesale Depot, which opened two units in the waning weeks of 1989, one in Erie, Pa., in October followed by one in Bangor, Maine, in November, and Metro Warehouse, Nusim's start-up club. Metro's units won't open until next year, however.

The new entries and the small club chains have herculean efforts ahead of them in 1990 and for the balance of the century since they are trying to carve a niche for themselves in a mature business segment against established chains, four of them multibillion dollar companies.

For its part, Wholesale Depot is attempting to distinguish itself as a club for smaller markets with its 60,000-square-foot units. Only time will tell if the theory is brilliant or simply wishful thinking.

Nusim's Metro Wholesale faces the same daunting obstacles. Metro plans to locate all of its upcoming units in the Northeast. Yet by the time Nusim opens his first three clubs, at the end of 1991, the region will have more than the dozen or so clubs it currently has and many more players.

The obstacles proved too much for three clubs in 1989: Saveco, American Wholesale and Buyer's Club, all closed their doors last year.

This year, Makro faces the same fate because its parent, K mart, decided that the hybrid concept failed to catch on and instead merged the chain with its newest acquisition, Pace, the No. 4 chain.

BEST SELLERS

The Wholesale Club, Indianapolis: *The chain's newest prototype, which opened in early 1989, will be rolled out to its new club locations this year.* (DSN photos)

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Pace, Hatboro, Pa.: *One of the few membership warehouse clubs that have established a presence in the Northeast, Pace has begun to install interactive video kiosks chainwide.*

Shakeout Over? Several Chains Rebound in '89

Top Consumer Electronics Specialty Chains

Chain	Sales (In Millions)		Percent Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1989	1988		1/89	1/90	Proj. 1/91	
Circuit City Richmond, Va.	$2,100	$1,721	22.0%	125	149	180	32
Highland Superstores Taylor, Mich.	924	911	1.4	84	93	92	24
Silo Philadelphia, Pa.	900	815	10.4	210	230	230	20
Best Buy[1] Minneapolis, Minn.	513	507	1.2	41	49	58	25
Tops Appliances Edison, N.J.	345	320	7.8	2	3	4	50
American TV Madison, Wis.	250	235	6.4	7	7	7	80
Newmark & Lewis Hicksville, N.Y.	246	238	3.4	52	50	68	10
Fretter Livonia, Mich.	225	231	(2.6)	52	56	61	12
The Wiz New York, N.Y.	200	235	(14.9)	26	26	27	12
The Good Guys San Francisco, Calif.	195	149	30.9	18	22	34	18
Wall to Wall Sound & Video Cinnaminson, N.J.	172	152	13.2	94	102	102	12
Trader Horn Hasbrouck Heights, N.J.	160	140	14.3	16	16	18	15
Audio-Video Affiliates Dayton, Ohio	144	196	(26.5)	125	73	80	10
Fred Schmid Denver, Colo.	105	100	5.0	19	19	20	12
Luskin's Baltimore, Md.	90	123	(26.8)	45	32	34	9
J & R Music World Brooklyn, N.Y.	85	67.5	25.5	2	2	2	100
Brick Church[2] Orange, N.J.	80	100	(20.0)	40	40	0	15
Total:	$6,734	$6,241	7.9%	958	969	1,017	

[1] 1989 sales are for 11 months due to change in company's fiscal year.
[2] Acquired by Newmark & Lewis in 1990.

Source: DSN research

Despite shots in the arm from booming camcorder, cellular telephone and home office equipment sales, it was a tight year for consumer electronics retailers. However, one of the industry's biggest names, Best Buy, rallied from two consecutive poor years, and others like Newmark & Lewis continued to come back from the bleak post-VCR years of 1987 and 1988.

On the other hand, 1989 also saw the swan song of two major chains, the scandal-ridden Crazy Eddie operation and Atari's Federated Group. Sears is reportedly looking at many of the Crazy Eddie sites in metro New York, and Silo snapped up several former Federated locations.

Another chain, New Jersey retailer Brick Church, toppled in early 1990, selling out to Newmark & Lewis. Early 1990 also saw an exodus of top management from the No. 2 chain, Silo, following parent Dixon's announcement that it was seeking buyers for the chain.

And other major retailers, most noticeably Highland Superstores and Audio/Video Affiliates continued to suffer throughout 1989, as margins dwindled and alternative distribution channels like full-line discount stores and office products superstores chipped away at the traditional consumer electronics market.

Sears has already had a large impact on the market (perhaps the Goliath's only unalloyed bright spot last year). Its Brand Central superstores, both within full-line Sears stores and stand-alone versions, appealed to consumers with improved service, hot brand names, the powerful Sears credit card, and exclusive and semi-exclusive product lines.

Montgomery Ward's Electric Avenue, too, competed successfully with traditional CE superstores, offering virtually the same products at attractive prices with generous credit terms. Together, these two concepts have "added" over 1,000 storefronts to an already overcrowded market.

Consumer electronics retailers have fought back in several ways. Some have added their own credit cards to take the sting out of the Sears threat. The major benefit, according to chairman Warren Hyman of Newmark & Lewis, which successfully premiered its card in 1989, is that consumers can charge an often expensive purchase without eating up their outside credit lines.

Several chains have also adopted a modified "everyday low price" strategy, offering guaranteed low prices and eliminating excessive haggling. On-floor bargaining, a hallmark of CE retailing since Crazy Eddie popularized the strategy, turned off older and wealthier consumers, who often just want a fair price, and don't want to see their purchase on sale for 20 percent less a week later. EDLP with guaranteed pricing seems to appeal to these older shoppers.

And, several chains have differentiated themselves by concentrating on core (and surging) product groupings like component audio. The CD revolution has created a growing market for high-end amplifiers and speakers to take advantage of the improved sound of the compact disc. San Francisco's The Good Guys has established a selection of upscale (but discounted) audio components that would look at home in an A/V boutique, and other retailers are actively looking for premium brand names to call their own.

And let's not forget home office. While office supply superstores have cornered several major markets in the category, CE retailers have been successful as well. Consumers feel comfortable shopping for business electronics in the same place that they buy televisions, Good Guys president Ronald Unkefer noted recently. He credited phenomenal same store sales increases in fiscal 1989, in large part, to his company's entry into the home office market.

Early signs point to a successful 1990 for CE retailers, at least for those that survive the year. Best Buy has reported same store sales increases ranging from 7 percent to 15 percent this year; The Good Guys' record 25 percent increase in the quarter ended Dec. 31 was followed by a 24 percent increase in the next quarter; Newmark & Lewis, with its advertising now spread over 17 more stores and a whole new market, expects to snap its earnings back in line; Circuit City has been more than consistent after three terrific years; and localized chains such as J&R Music World and Fred Schmid have continued to compete successfully.

The industry has pretty much given up on finding a product to replace the VCR (although the fax machine has potential). Even if one arose, the profit potential would drop out of it so quickly, under present market conditions, that, far from a saviour, it could easily become an albatross, sucking up consumer dollars that otherwise might have gone to products with better margin structures.

One illustration: the digital audio tape recorder, introduced at roughly $1,500 this summer, will probably have dropped to $800 or less by the time significant shipments hit retail shelves this fall, and could sink as low as $500 by next spring.

The apex, or perhaps nadir, of this price deterioration has occurred in the cellular telephone business, where the telephones are sold at a considerable loss, which is then made up by a rebate from cellular service operators.

Newly named Newmark & Lewis president Ron Fleisher, commenting on the steady decline in prices and coincident rise in quality and features, wondered what would happen to the price of a car if the American automotive industry operated the same way as the consumer electronics industry. "A new car would probably cost $1,000," he said, "and it would be a great car."

Added a rueful cellular telephone supplier, "Yeah, but the gas would probably cost $500 a gallon."

The Good Guys, Stonestown, Calif.: *The chain's entry into the home office market is partly responsible for the huge same store sales gains reported last year.* (DSN photo)

A Handful of Toy Chains Post Gains in 1989

In the past few years, toy manufacturers struggled through hard times. Now the nation's toy retailers are toughing it out.

In a field of the 12 largest toy chains, only five recorded sales gains in 1989. Leading the way again was Toys "R" Us, the nation's No. 1 toy retailer.

Toys "R" Us posted an 18.3 percent sales gain and a double-digit rise in its operating income in 1989.

The nation's top toy retailer reported 1989 sales of $4.313 billion including its international division. TRU's U.S. toy stores generated $3.8 billion in sales last year. Operating profits surged 18.1 percent to $493.7 million.

The only other toy retailer to post increases in both sales and operating profits was Wisconsin Toys, now known as Value Merchants, operators of Toy Liquidators, Toys Unlimited and Everything's a $1.00 variety closeout stores.

With sales of $40 million, a 6 percent gain over 1988, Value Merchants posted a profit gain of 7.9 percent in 1989. The chain expects to add 20 new toy units this year, largely the result of the company's acquisition of Toy King's remaining 20 units.

Toy King was the lone fatality of 1989 in the toy chain industry. The chain closed its doors soon after emerging from Chapter 11 bankruptcy last spring. Prior to the bankruptcy, Toy King was a 60-unit chain with stores in factory outlet malls.

The other toy retailers posting sales increases last year were: Lionel Leisure, up 4.9 percent; K & K Toys, up 4.6 percent; Tons of Toys, operator of Toys 'n Toys 'n More, up 4 percent; and Child World, up 2.9 percent. All the others recorded sales declines ranging from 3.6 percent for Karl's Toys to 12.5 percent for Hobby Center Toys.

The sales gains at the five chains helped boost industrywide sales to over $6.6 billion, up about 11 percent from 1988. The store count also grew last year to 1,753 units, up 9.4 percent from the previous year.

Many problems plagued the nation's toy retailers in 1989 including a soft national economy and weak holiday sales.

Those problems coupled with others affected many companies to varying degrees. Probably the chain most impacted by economic factors is Tons of Toys.

Tons of Toys was expected to emerge from Chapter 11 on June 28 and become part of the Merchants West organization of Long Beach, Calif., parent of Karl's Toys, Toys Plus and Toys Galore. The acquisition will total $3.5 million, said Bruno Ferretti, president of Tons of Toys, a 21-unit operation.

Despite the acquisition, Karl's Toys had a rough 1989. It suffered a 3.6 percent sales decline, to $27 million. It operates 25 stores and projected a year-end store count of 28 units. With the acquisition, Karl's Toys will become a 49-unit chain with sales of $43 million.

The economic forces also hampered Child World, the second-largest toy chain with $830 million in sales. Profits plunged to $5.8 million in 1989 from $12.6 million in 1988.

Earlier this year, Child World's parent, CNC Holdings, Cleveland, said it was looking for a buyer for part or all of its 82 percent equity in the 175-unit toy chain.

Some good things did happen to Child World in 1989, however, including the implementation of its new satellite communications network that linked all stores to the home office for all data communications, its updated POS system, and a new full size and small store prototype.

Lionel Leisure, the No. 4 chain in sales, fought off a hostile takeover bid by Robert Toussie Partners last year that cost the company dearly in 1989. Profits plunged to $525,000 from nearly $5.5 million the year before, the result of a soft business cycle which forced down gross margins plus the $1.6 million in legal fees associated with thwarting the hostile takeover.

America's favorite toy store!
Discover how much less toys can cost
Every Day

Child World, Framingham, Mass.: *The chain updated POS systems and unveiled new prototypes.* (DSN photo)

Top Toy Specialty Chains

Chain	Sales (In Millions)		Percent Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1989	1988		1/89	1/90	Proj. 1/91	
Toys "R" Us[1] Rochelle Park, N.J.	$4,313	$3,647	18.3%	358	404	449	46
Child World Avon, Mass.	830	807	2.9	163	174	184	36
Kay-Bee Pittsfield, Mass.	724	780	(7.2)	727	777	827	4
Lionel Leisure Philadelphia, Pa.	429	409	4.9	84	92	102	37
Circus World Toy Stores[2] Farmingdale, N.Y.	178	163	9.0	326	326	326	3
K & K Toys Norfolk, Va.	68	65	4.6	119	130	135	3
Toy Liquidators Milwaukee, Wis.	40	25	59.6	50	76	96	6
Karl's Toys Long Beach, Calif.	27	28	(3.6)	27	25	28	5
Toys 'N Toys 'N More[3] Wareham, Mass.	26	25	4.0	21	21	21	12
Toy & Sports Warehouse White Plains, N.Y.	9	10	(10.0)	6	5	5	17
Hobby Center Toys Holland, Ohio	8	9	(11.1)	27	24	2	2
Toy King[4] Orlando, Fla.	6	13	(52.0)	20	25	0	4
Total:	$6,657	$5,981	11.3%	1,928	2,079	2,194	

[1] Toys "R" Us: Sales include international toy stores (U.S. only toy store sales were approximately $3.8 billion in 1989); store counts are U.S. only

[2] Circus World: Formerly Greenman Bros.; Also operates Playland and Playworld chains.

[3] Toys 'N Toys 'N More: Reorganization under Chapter 11 expected to result in merger with Merchants West, Long Beach, Calif.-parent of Karl's Toys.

[4] Toy King: Toy King has been liquidated.

Source: DSN Research

Kay-Bee, a division of Melville Corp. and the third-largest toy chain, also had a tough time in 1989.

After 10 years of increases, the chain experienced a 13.9 percent store-for-store sales decline in 1989, according to analyst Bruce M. Missett of Oppenheimer & Co., New York. The chain, said Missett, was as hurt by a shortage of hot video games and management changes. However, he expects the chain to turn around this year and continue on the expansion track.

A particularly bright spot in Kay-Bee's future is the continued expansion of its Toy Works chain, freestanding supermarket-type toy stores positioned for strip malls.

Designed to help Kay-Bee grow beyond the parameters of the malls, Kay-Bee created Toy Works for small suburban and rural markets. Already a 27-unit chain, Toy Works stores range from 12,000 square feet to 15,000 square feet and offer Kay-Bee's full 8,000 sku's.

Toy Works has the potential to add $200 million in sales and $15 million in operating profits to Kay-Bee by 1993, said Richard Baum of Sanford C. Bernstein & Co., New York.

The bright spot in the toy business continues to be Toys "R" Us.

The toy chain will upgrade 30 stores in both 1991 and 1992 and add about 48 new stores this year, including its first units in Denver, Salt Lake City, Hawaii and New York.

Growing the chain outside the country is also a priority for TRU. The chain plans to open 25 stores abroad this year followed by 35 new units in 1991 including stores in Spain, Italy and Japan, new markets for the Paramus, N.J.-based toy chain.

In 1992, TRU will open in the Benelux countries and Australia.

So important is global expansion for TRU that anlaysts project the international division will approach 18 percent of total sales by 1995. By 1993, analysts Bernard Sosnick and Dorothy Lakner of the Deutche Bank Group, New York, project that TRU will open as many stores abroad as it does in the U.S.

This year the analysts said international toy sales will reach $750 million, a 40 percent gain from the $534 million recorded in 1989. TRU International accounted for 11 percent of total company sales in 1989, up from 1 percent in 1984.

Kmart Acquisition Highlights Superstore Trend

Top Sporting Goods Specialty Chains

Chain	Sales (In Millions) 1989	Sales (In Millions) 1988	Percent Change	Number of Stores 1/89	Number of Stores 1/90	Number of Stores Proj. 1/91	Average Store Size (000 Sq. Ft.)
Herman's Carteret, N.J.	$ 680	$ 680	0.0%	260	266	281	10
Thrifty Corp. Los Angeles, Calif.	660	615	7.3	233	256	290	NA
Oshman's Easton, Texas	317	305	3.9	193	193	200	11
Sportmart Niles, Ill.	190	165	15.2	21	24	24	40
Champs Sports Bradenton, Fla.	120	88	36.4	134	199	254	5
Academy Houston, Texas	97	82	18.3	24	25	32	25
Modell's Sporting Goods East Meadow, N.Y.	80	71	12.3	23	31	36	15
Sports Authority Fort Lauderdale, Fla.	65	40	62.5	4	8	18	40
Sports Unlimited Tampa, Fla.	59	45	31.1	7	11	19	45
Sports Town Atlanta, Ga.	50	22	127.3	6	11	14	50
Irving's Sport Shops Springfield, Va.	18	16	12.5	17	19	21	4
Total:	$2,336	$2,129	9.7%	922	1,043	1,189	

NA—not available

Source: DSN *research*

Growth of Herman's stalled last year while its new British parent looked for a buyer.

Nevertheless, Herman's managed to hang onto its title as the nation's No. 1 sporting goods retailer, while Thrifty Corp. breathes down its neck.

While Herman's executives were preoccupied with their future, Thrifty Corp. continued to grow, drawing close to nudging Herman's out of the No. 1 spot.

In another major development, No. 3, Oshman's called off last December an attempt to find a buyer after it failed to get an acceptable offer and instead will concentrate on restoring profitability.

Herman's sales remained flat at $680 million in 1989, and it added only six new stores for a year-end count of 266 while Isosceles Partners sought a buyer. Isosceles took over Herman's previous British parent, Gateway, in a hostile raid and announced it would sell Herman's.

Isosceles then changed its mind about selling Herman's and now is rebuilding the chain by remodeling 50 stores in 1990 and restoring a modest store expansion program of 15 units.

Meanwhile, Thrifty Corp., a subsidiary of Pacific Enterprises, an oil and gas concern, hasn't been standing still, even though it took a breather last year from growth through acquisition. Although Thrifty refuses to divulge any information about its sporting goods chains, except for store count, estimates put Thrifty's 1989 sporting goods sales at $660 million. It plans to open 24 new stores in 1991, on top of 23 in 1989, for a year end total of 290.

Thrifty has grown rapidly by acquiring other chains: Big 5, MC Sporting Goods, Gart Bros., Brown's, Casey's, Parks Sports, Hagens, Jerry's, Stevens, Dave Cook's and Mages. It managed to go a whole year without acquiring another chain, though, and store expansion in 1989 came internally.

The other big news in sporting goods, of course, is that K mart acquired Sports Authority this spring for a reported $65 million and plans to open up to 15 new 40,000-square-foot superstores a year.

Sports Authority will expand out of its Sun Belt base when the chain opens four stores this summer in Philadelphia, part of 10 new openings for 1990. Sports Authority also plans to open two stores this year in another new market, Baltimore. Next spring it plans to open in two more new markets, Phoenix, Ariz., and Las Vegas, Nev.

In buying Sports Authority, K mart killed Sports Giant, its infant entry into the sporting goods warehouse club field, and next month will convert the two Sports Giant clubs in Michigan to the Sports Authority format.

Founded by Jack Smith, former chief operating officer for Herman's, Sports Authority grew from one store in Fort Lauderdale in 1987 to eight last year. Estimated sales in 1989 were $65 million.

On an annualized basis, each Sports Authority unit does about $10 million, with a break-even of about $7.5 million.

As it did with its Builders Square home center subsidiary when it bought the expertise of founder Frank Denny, K mart purchased the sporting goods expertise of Smith and his management team by locking them into a contract that forces them to remain for about five years if they want to get paid for their stock. K mart scrapped its own Sports Giant management team led by president Charles White, who transferred Builders Square.

Deep pockets also back Sports Unlimited, Tampa, another emerging Florida-based superstore chain that changed hands over the past year.

Investcorp, an international holding company based in Bahrain, London and New York, paid $40 million to acquired a 65 percent controlling interest in Sports Unlimited last September and is bankrolling its expansion.

Founded in 1979, Sports Unlimited opened 1989 with seven stores and ended it with four new units for a total of 11. It plans to add eight of its 45,000-square-foot stores this year.

President Jim Bradke said his chain earned profits of $5.3 million in 1989 on sales of $59 million, an increase from profits of $4 million in 1988 on sales of $45 million.

Several chains appear to have settled upon 40,000 square feet as the prototypical size needed for a full-line sporting goods store. Sports Town president Tom Haas said the 11-store, Atlanta-based chain has downsized its prototype by 10,000 square feet, from 50,000 square feet, in order to carry the broad spectrum of athletic shoe and apparel brands available, as well as increased sku's in exercise and water sports.

Academy Sports, Houston, and Sportmart, Niles, Ill., both are also opening nothing but 40,000-square-foot stores.

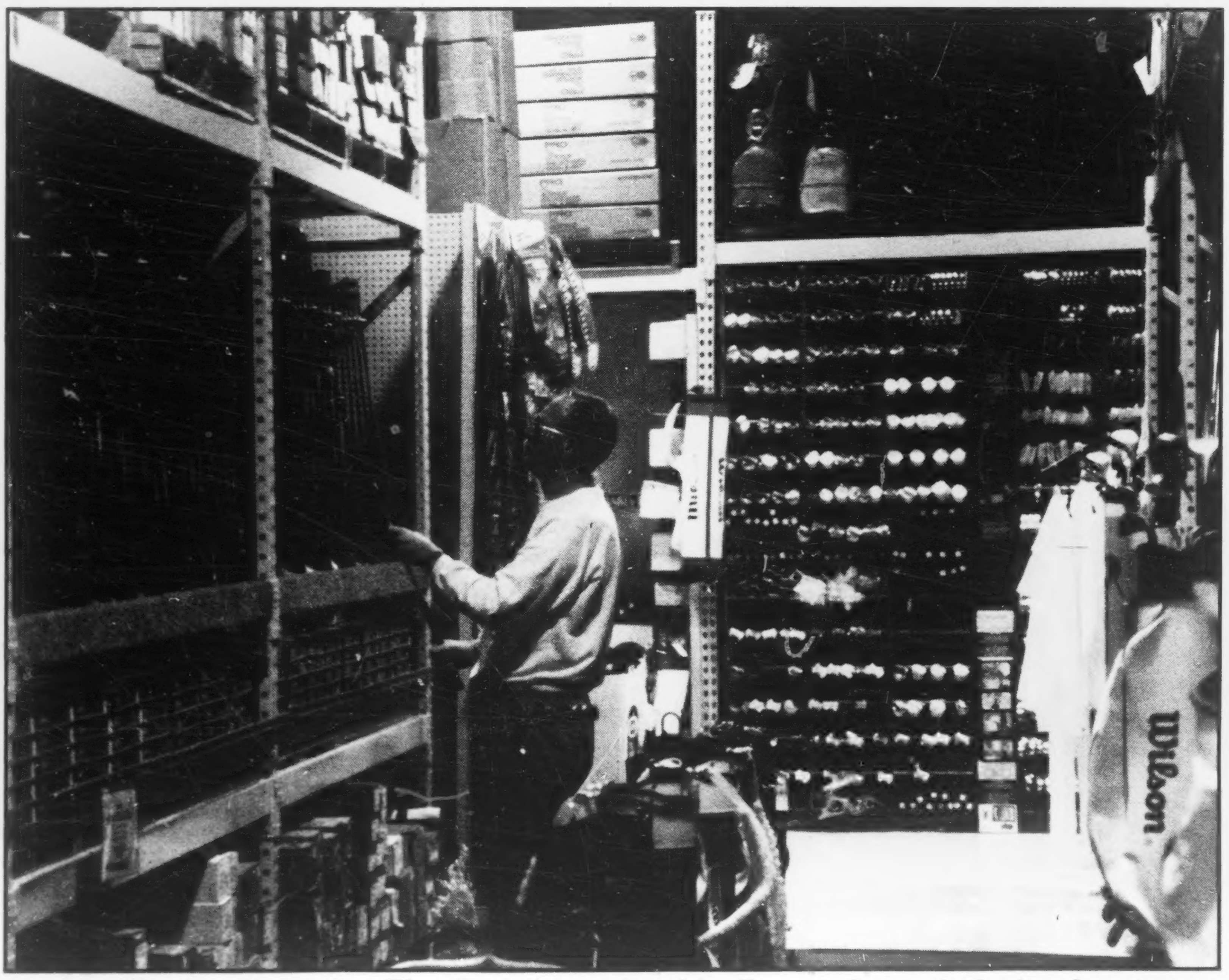
Champs Sports, the rapidly growing specialty chain of Woolworth, packs "whatever new products are on the leading edge of style" in its 5,000-square-foot mall stores, according to Harold Rowan, president and chief executive officer of Kinney Shoes. "You have to keep lines tight, handling only the hot items that move in and out."

Champs is sticking to its announced game plan of opening at least 50 stores a year, with ambitions of becoming the largest sporting goods retailer in the nation. It added 65 in 1989 for a year-end count of 199 and plans to open 55 more in 1991.

Oshman's, Easton, Texas, scrapped its SuperSports U.S.A. chain as a separate merchandising concept last year, ended its everyday low price policy and merged its buying staff into regular store operations to reduce costs. Oshman's retains the name, however, on four stores of 30,000 square feet and up, including a gigantic 85,000-square-foot SuperSports store it opened this March in its hometown.

Store count for Oshman's remained flat at 193 for the year, and the chain posted an operating loss of $1.5 million for 1989, compared to operating profit of $7.8 million the previous year. Sales grew marginally to $317.2 million from $304.6 million.

Despite the emergence of national giants, small sporting goods chains, such as Modell's, New York, and Irvings, Springfield, Va., appear to be competing successfully in their local niches.



***Sports Authority, Clearwater, Fla.:** Recently purchased by K mart, Sports Authority plans to open 40,000-square-foot superstores in such new markets as Phoenix, Ariz., and Las Vegas, Nev.* (DSN photo)

Western Auto Leads Aftermarket Chains

Western Auto, which Sears acquired in 1988, solidified its grip on the No. 1 sales spot in the automotives aftermarket last year, while Pep Boys—Manny, Moe & Jack edged the troubled Northern Automotives group out of second place.

In another development, the wholesale club concept gained a toehold in the automotives aftermarket over the past year, with two clubs opening in California and another attempting to raise public money to open on New York's Long Island.

Western Auto met its target goal of opening 40 to 50 stores a year, opening 44 new units last year of about 15,000 square feet. It is shooting for another 40 to 50 in 1990.

Operating in all 48 contiguous states, Western Auto remains the only national automotives chain.

Sales last year increased about $100 million to $1.2 billion from $1.1 billion in 1988. Sales include wholesale revenues from supplying an ever decreasing number of individually owned, associate stores, about 350 company-owned stores and 138 Tire America and NTW tire specialty stores Sears acquired along with Western Auto.

The number of Western Auto associate stores, often rural, mom & pop operations, fell further last year to 1,192 from about 1,400.

Philadelphia-based Pep Boys opened 42 new stores of 22,000 square feet in 1989, boosting store count to 281. In 1990, it plans to open 37 to 40 more, which will fulfill its five-year goal of doubling its size in five years.

Pep Boys is closing its small, "dry" stores that lack auto service in favor of auto superstores that also offer service, the most profitable component of Pep Boys sales. Auto service accounted for 11.9 percent of sales in 1989, an increase from 10.6 percent in 1988.

Each new unit includes 5,000 square feet of service area in eight to 10 bays.

Pep Boys sales rose to $798.7 million from $655.9 million in 1988. That ranks No. 2 in sales ahead of Northern Automotive, which said its sales totaled $763 million in 1989, compared with $737 million.

Earnings before taxes for Pep Boys slipped in 1989, however, to $55.1 million from $60.2 million the previous year. An increase in interest expense to $18 million to finance store expansion from $11.2 million more than accounted for the decline.

As a percentage of sales, operating profits slipped further to 8.6 percent from 10 percent in 1988 and 10.5 percent in 1987.

Top Automotive Specialty Chains

Chain	Sales (In Millions)		Percent Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1989	1988		1/89	1/90	Proj. 1/91	
Western Auto Kansas City, Mo.	$1,200	$1,100	9.1%	424	468	518	7
Pep Boys Philadelphia, Pa.	799	656	21.8	243	281	319	19
Northern Automotive Phoenix, Ariz.	763	737	3.5	873	828	850	6
AutoZone Memphis, Tenn.	535	440	21.6	441	511	550	5
Chief Auto Parts Dallas, Texas	375	325	15.4	479	503	535	3
Whitlock Des Plaines, Ill.	285	260	9.6	252	280	NA	9
Trak Auto Landover, Md.	276	243	13.6	274	308	NA	6
Nationwise Columbus, Ohio	270	262	3.1	267	270	290	6
Grand Auto Oakland, Calif.	200	190	5.3	135	134	140	6
Total:	$4,703	$4,213	11.6%	3,388	3,583	3,202	

Source: DSN *research*

At presstime, Northern Automotive still was operating without a chief executive officer and searching for a successor for John Lacey.

Lacey left suddenly this March as did his predecessor, Dan Siewert, in October 1988. Upon Lacey's abrupt departure, Julius Trump, one of two investor brothers who owns Northern Automotive, took over as acting ceo.

Under Lacey, whom Trump lured from his position as head of Molson's retailing operations in Canada, store count fell last year to 828 from 873 for the chains that comprise Northern Automotive: Schuck's, Checker, Kragen, Crown and Autoworks.

Lacey's prime mandate was to merge the newly acquired Autoworks and Crown chains, both money losers, into the rest of the system and restore Northern Automotives rapidly disappearing operating profits.

Northern Automotive declined to disclose its operating results for 1989.

It expects store count to increase by 22 this year to 850.

The sale of Whitlock, which was to be the big acquisition story over the past 12 months, remains a gleam in the eye of its new British owner, Boots.

Following a hostile takeover last year of Whitlock's previous British parent, Ward White, Boots put Whitlock on the block to pay down debt.

In March, Merrill Lynch Capital, New York, signed a letter of intent to acquire Whitlock, purportedly for $150 million, along with an unidentified operating partner. Whitlock officials steadfastly refuse to comment on the status of the deal, but the chaotic state of the American junk bond market provides one explanation why the deal hasn't closed.

Whitlock previously acquired the Rose Auto chain in Florida and the R&S Strauss chain in New Jersey.

The honor for opening the first warehouse club for the general public goes to Auto Club, which opened two in the San Diego market and hopes to open two more this year.

Warehouse club entrepreneur Robert McNulty followed with one unit of his new Auto Giant chain in San Bernardino, Calif. Auto Giant to open four more this year, including units in Huntington Beach and Sacramento, also in California.

McNulty also has formed Auto Depot, New York, and filed to go public to raise money to open two stores on Long Island.

All three clubs base their operation on stores of at least 50,000 square feet and charge membership fees.

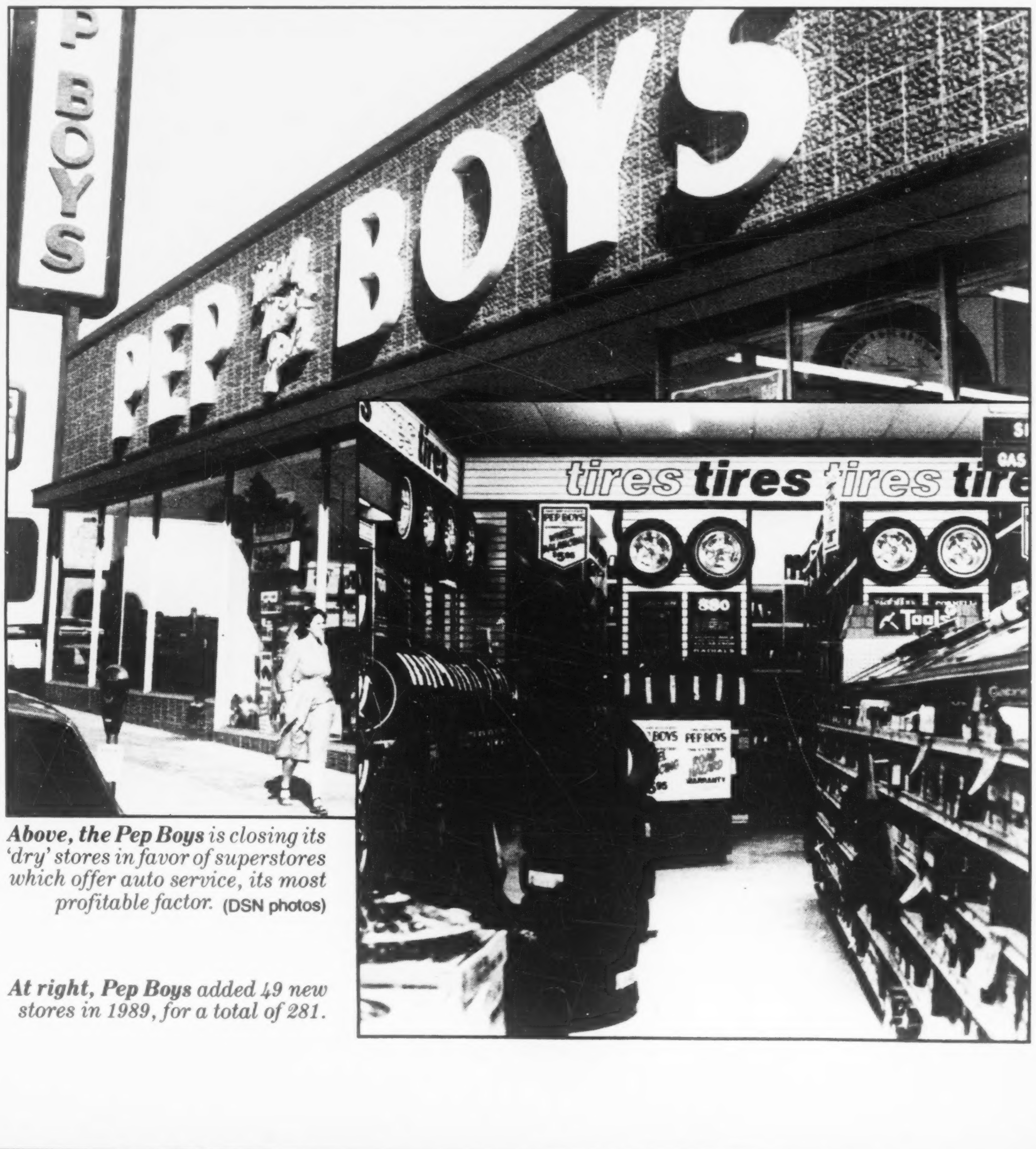
AutoZone, Memphis, Tenn., continued its unheralded growth last year by emulating Wal-Mart in its early years. It seeks out untapped, rural markets where it won't face the fierce competition that other chains face, say, Chief Auto and Pep Boys in Los Angeles.

AutoZone, formerly Auto Shack until Radio Shack sued, added 70 new stores last year for a year end total of 551 and plans to open 39 more in 1990.

Sales last year rose to $534 million from $440 million.

Chief Auto appears to be weathering its 1988 leveraged buyout without obvious signs of financial distress. Store count grew to 503 in 1989 from 479, with 32 more planned in 1990. Sales rose to an estimated $375 million from $325 million.

Among automotives chains, Chief has grabbed the lead in environmental matters, rolling out a chainwide program to recycle lead-acid, car batteries and expanding to 50 more stores its new policy of accepting used motor oil from do-it-yourself customers for recycling.



Above, the ***Pep Boys*** *is closing its 'dry' stores in favor of superstores which offer auto service, its most profitable factor.* (DSN photos)

At right, Pep Boys *added 49 new stores in 1989, for a total of 281.*

Office Megastores Poised for Explosive Growth

Office Supply Megastores

Chain	Sales (In Millions)		Percent Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1989	1988		1/89	1/90	Proj. 1/91	
Office Depot Boca Raton, Fla.	$314	$32	137.9%	26	67	125	25
Super City Tucson, Ariz.	231	100	131.0	16	37	73	15
Staples Newton, Mass.	182	98	85.7	22	38	70	19
BizMart Arlington, Texas	133	34	291.2	10	31	57	22
Office Club Concord, Calif.	126	51	147.1	15	37	89	20
Arvey Paper & Office Products Chicago, Ill.	100	100	0.0	36	36	41	17
OW Office Warehouse Virginia Beach, Va.	95	0	—	2	12	28	25
WORKplace St. Petersburg, Fla.	41	25	64.0	5	5	15	30
HQ Office Supplies Warehouse[1] Long Beach, Calif.	39	0	—	0	13	29	27
The Office Place Boulder, Colo.	38	25	52.0	6	11	19	6
O.P. Club Phoenix, Ariz.	30	15	100.0	6	12	32	20
Jaffe's[2] Miami, Fla.	28	40	(30.0)	10	7	0	20
Office Shop Warehouse[3] McKeesport, Pa.	25	15	66.7	6	0	0	15
Office Max Solon, Ohio	20	15	33.3	14	18	48	25
Office World[4] Great Neck, N.Y.	20	10	100.0	4	8	0	25
The Paper Cutter Liverpool, N.Y.	18	15	20.0	14	17	23	12
National Office Warehouse Columbus, Ohio	11	7	50.0	2	3	6	13
Office Square San Antonio, Texas	10	5	100.0	2	4	14	25
Action Indianapolis, Ind.	10	11	(9.1)	5	4	4	20
Office America Richmond, Va.	7	6	16.7	5	12	20	20
Office Stop[5] San Antonio, Texas	0	0	—	0	1	5	30
Total:	$1,477	$704	109.8%	206	373	698	

[1] Opened first store in 1989.
[2] Parent Abitibi-Price began liquidation of Jaffe's in April 1990.
[3] All units closed in December 1989.
[4] Acquired by Office Max in 1990.
[5] Opened first store in 1990.

Source: DSN research

WORKplace president Steve Westerfield may have put it best when he noted earlier this year that the office superstore industry is in the same stage of development as consumer electronics superstores were a decade ago. That was a couple of years before the VCR boom, when the industry just took off.

Unfortunately, the VCR boom didn't last. Today, many of those CE chains are gone; merged with other chains or bankrupt, and many more are struggling. But five or six have risen to national prominence, with Circuit City generally considered one of the best-run retail businesses in the country. And a lot of people, despite later failures, made a lot of money during the boom years.

Westerfield and others feel that the facsimile machine will be the equivalent of the VCR for office superstore operators, and that personal computers, now demystified in the eyes of most consumers, will become almost as omnipresent. And, as the boundaries between business and entertainment products continue to blur, other business-only products (like personal copiers and cellular telephones) will quickly invade the consumer market.

Certainly, that has been the experience of most of the infant office products industry, which is exploding in both store count and total sales. When these stores first opened less than five years ago, their potential was in question. Since then, several million Americans have opened home offices, and small businesses have combined with home office consumers to designate office superstores as the distribution channel of choice.

The future potential continues to look bright. A key has been a slow move into upscale, essentially consumer products. Office Stop, for one, has clicked with a selection of exclusive leather goods, from briefcases to luggage. Most chains sell a large selection of pocket reference devices that have as much consumer appeal as anything. And, as stores get bigger, a wider selection of traditional consumer electronics with business applications (such as combo TV/VCR units) is a likely expansion area.

Like warehouse clubs, office superstores will probably become ever more adept at pure consumer merchandising, appealing to their business members as consumers as much as businessmen. Hence, an extensive selection of executive toys, high-end pens and pen sets, computer peripherals and computer game software, and so on have become an essential part of the business. These outlets could quickly cut into the sales of traditional upscale retailers, executive catalogs and specialty stores like The Sharper Image. Their buyers have mass market clout, but have proven to be adept at gaining product lines not normally sold to discounters.

Also ever more important is size. Early on, stores averaged 15,000 square feet to 20,000 square feet. Today, the average new store runs more in the vicinity of 30,000 square feet. That allows not only an increased sku count, but more room for creative merchandising, wider aisles, and special promotional events. Much like a traditional retail store.

Staples, which founded the industry, continued to grow (nearly doubling its store count to 38 from 22) in 1989, but the real growth came from Office Depot, which added 41 stores to its existing 26 in the past year, and Bizmart, which grew from 10 to 31 units in 1989. Both have recently increased the size of their stores to the 25,000-square-foot to 30,000-square-foot range. Other rapid growers were Office Club, HQ and OW Office Warehouse.

In sales, Office Depot is an unchallenged No. 1, with $314.6 million volume last year. Staples held second place, at $182 million, with BizMart and Arvey also above $100 million.

Sales, of course, are deceptive in a start-up industry, but they do reflect a very real fact—consumers like the format. However, with rapid expansion (store count doubled last year), profitability, due to immense opening expenses, tax credits and so on, will probably not be determinable in the near future for most chains.

However, industry sources indicate that the ramp to profitability is relatively short, with stores turning a small profit within a few months. Part of the secret: office superstores can offer dramatic discounts against traditional office retailers while still maintaining healthy margins in mass market terms.

Lofty Sales Per Square Foot

Also, because most shoppers are buying for their businesses (and hence, in quantity), average tickets tend to be high, generating sales per square foot that are more than double (at a minimum) those of traditional discounters. This trend has been particularly visible in the sale of upscale, gift-type business products like $100 pens, personal electronic organizers, spell checkers, leather goods and so on, which are often purchased in quantity as gifts for business acquaintances and clients.

Industry vendors have not been slow to recognize the potential of the office superstore. Brown case goods are now swirled in eye-catching colors, with clear, concise product descriptions. Suppliers like Pelikan, Fuji, Royal and many more have developed programs aimed explicitly at the superstore.

That trend will continue. At CES this summer, many suppliers introduced new packaging or merchandising programs to appeal to superstore operators. As home office counts continue to build, and chains expand their product assortments, the industry should grow in geometric proportions for at least the next two years.

At that point, three or four clear winners should emerge from the pack, bringing on a wave of mergers and acquisitions (the first stage of shakeout occurred this year, with Office Shop Warehouse, Office World and Jaffe's ceasing operations). Today's strategy, to establish your chain in at least one major market so you'll have at least one large bargaining chip when merger time comes, will give way to an invasion of secondary and even semi-rural markets, and at least a couple of years of rapid growth.

So the race to establish chains as ongoing businesses (and hence, more attractive merger and acquisition candidates) has continued apace, with some particularly brutal infighting among chains that compete directly, as is the case with WORKplace and Office Depot and Staples and Office Stop. Look for more jockeying for position in 1990/91.

Top Deep Discount Drug Chains Hit Billion

Both giants of American discounting, K mart and Wal-Mart, have left deep drug discounting over the past 12 months—even as two deep discount chains, Phar-Mor and Drug Emporium, joined the $1 billion sales club.

Yet, unfazed at the prospects of doing battle with the deep discount drug Goliaths, a Daytona Beach, Fla., investor group, announced plans to open Aug. 1 a new deep discount drug store that will operate on margins as slim as 15 percent.

The promises—despite the pitfalls of deep discount drug operations—persuaded S.E. Nichols to cease full-line discount store operations earlier this year and to begin converting to a deep discount drug merchandising format in attempts to restore profitability.

Out of its 34 remaining stores, Nichols had converted six to deep drug units called Pharmhouse before debt service problems began casting doubts on the chain's ability to complete the conversion, much less survive as an ongoing business (see story, *DSN*, June 18, 1990, page 2).

Nichols previously operated pharmacies in 17 of its 34 units, so it had gained experience in drug store operations.

Nichols announced last month, though, that it is unable to meet debt interest payments due June 1 and Sept. 1 and may file for Chapter 11 protection if unable to restructure debts.

Just as Nichols was moving into deep discounting, Wal-Mart was giving up on deep discount drug operations. It ended a two-year effort to find a buyer for its 14-unit dot deep discount drug chain. Selling dot to a management team, Wal-Mart is concentrating on in-store pharmacies. Out of 1,405 Wal-Mart stores at the beginning of the year, 950, or 68 percent, operated pharmacies.

That compares with 1,125 pharmacies in 2,167 K mart stores, for a 52 percent rate.

K mart's Pay Less NW drug

(Continued on page 87)

Top Deep Discount Drug Store Chains

Chain	Sales (In Millions)		Percent Change	Number of Stores	
	1989	1988		1/89	1/90
Phar-Mor, Youngstown, Ohio	$1,300	$ 790	64.6%	112	165
Drug Emporium, Worthington, Ohio	1,050	880	19.3	170	195
F & M, Warren, Mich.	554	402	37.8	66	75
Pic N' Save Drug Stores, Jacksonville, Fla.	410	340	20.6	41	41
Marc's, Middleburg, Ohio	245	197	24.4	15	19
Rockbottom, Port Washington, N.Y.	220	200	10.0	26	27
Freddy's, Woonsocket, R.I.	162	130	24.6	18	25
Drug Palace, Shiremanstown, Pa.	81	78	3.8	40	40
dot, Bentonville, Ark.	74	70	5.7	14	14
A.L. Price, Pontiac, Mich.	54	49	10.2	14	16
Rx Palace, New York, N.Y.	53	46	15.2	8	11
Drug World, Cincinnati, Ohio	39	32	21.9	9	13
Cost Cutters, Somerville, N.J.	36	42	(14.3)	10	8
Sid's, Hudson, Ohio	30	28	7.1	7	7
Drugs for Less, Bessemer, Ala.	16	10	60.0	NA	NA
Total:	$4,324	$3,294	31.3%	550	656

NA—Not available

Source: Drug Store News, *Chain Drug Survey and* DSN *research*

Hypermarkets in the United States

Chain	Sales (In Millions)		% Chg.	Number of Stores			Average Store Size (000 Sq. Ft.)
	1989	1988		1/89	1/90	Proj. 1/91	
Hypermart USA Bentonville, Ark.	$ 367	$275	33.5%	3	3	4	220
Bigg's Cincinnati, Ohio	200	150	33.3	3	4	4	200
Wal-Mart SuperCenter Bentonville, Ark.	140	80	75.0	2	3	6	195
American Fare Troy, Mich.	80	0	—	0	1	3	175
Big Bear Plus Columbus, Ohio	79	75	5.3	4	4	4	100
Carrefour Philadelphia, Pa.	65	60	8.3	1	1	2	170
Twin Valu Minneapolis, Minn.	60	0	—	0	1	2	180
Auchan Woodridge, Ill.	50	5	900.0	1	2	2	170
Total:	$1,041	$645	61.4%	14	19	27	

(See story, page 93)

Source: DSN *research*

Top Dollar Discount Store Chains

Chain	Sales (In Millions)		% Chg.	Number of Stores			Average Store Size (000 Sq. Ft.)
	1989	1988		1/89	1/90	Proj. 1/91	
Family Dollar Charlotte, N.C.	$ 757	$ 669	13.2%	1,500	1,600	1,700	7
Dollar General Scottsville, Ky.	615	613	0.3	1,307	1,378	1,478	6
Bill's Dollar Stores Jackson, Miss.	245	191	28.3	400	500	560	6
Bargain Town Montgomery, Ala.	55	51	7.8	60	62	62	14
Total:	$1,672	$1,524	9.7%	3,267	3,540	3,800	

(See story, page 97)

Source: DSN *research*

Top Variety Store Chains

Chain	Sales (In Millions)		% Chg.	Number of Stores			Average Store Size (000 Sq. Ft.)
	1989	1988		1/89	1/90	Proj. 1/91	
Woolworth New York, N.Y.	$2,169	$2,097	3.4%	1,117	1,061	1,091	NA
McCrory York, Pa.	1,372	1,391	−1.4	1,240	1,063	1,080	12.5
Fred's Memphis, Tenn.	267	280	−4.6	201	187	187	10
Sprouse Portland, Ore.	223	216	3.2	310	287	270	16
Ben Franklin Carol Stream, Ill.	341	338	0.9	1,200	1,275	1,290	10
Winn's Stores San Antonio, Tex.	150	148	1.4	210	200	NA	13
Total:	$4,522	$4,470	1.2%	4,278	4,073	3,918	

(See story, page 95)

NA—Not available

Source: DSN *research*

Top Closeout Chains

Chain	Sales (In Millions)		% Chg.	Number of Stores			Average Store Size (000 Sq. Ft.)
	1989	1988		1/89	1/90	Proj. 1/91	
Consolidated Stores Columbus, Ohio	$ 609	$ 627	(2.9)%	308	336	356	28
Pic 'N' Save Carson, Calif.	475	402	18.2	155	190	210	20
Bargain Time Oklahoma City, Okla.	160	0	—	0	190	180	11
Tuesday Morning Dallas, Texas	98	82	19.5	101	114	131	8
Building #19 Hingham. Mass.	90	80	12.5	9	9	10	80
Odd Job Trading New York, N.Y.	69	60	15.0	16	16	17	18
Everything's A $1.00 Virginia Beach, Va.	40	26	53.8	55	60	105	3
Total:	$1,541	$1,277	20.7%	644	915	1,009	

(See story, page 99)

Source: DSN *research*

Sears Weathering Bumpy EDLP Transition

It's a slow process, but the battleship seems to be turning. That's the simile most often employed when referring to Sears' switchover to a brand-driven, everyday low price retailer; it is, pundits say, like turning a battleship around in a river.

Despite the hit Sears took in the first year of EDLP, when its core of bargain-hunting customers deserted in droves and competing retailers, worried by the turn of events, turned the conversion into a price war, the retailing giant seems to have established its Brand Central consumer electronics departments as competitive, profitable specialty retailers.

But the company had several advantages. In white goods, it already had a premiere brand name, Kenmore, that is its alone. Sears' credit card is in the hands of millions of consumers. It has an impeccable reputation for making consumers whole if a product doesn't live up to expectations. And it has some of the most desirable retail locations in the United States.

Sales Remain Sluggish

Nevertheless, those advantages have not helped its other retail categories much. Apparel, in particular, is still staggering, and sales in almost all other departments have been depressed.

A large amount of the blame lies in the company's overnight adoption of everyday low price, a strategy that has been very lucrative for retailers as varied as Wal-Mart, Toys "R" Us and Price Club.

However, all of these were innovators in their class of trade. Also, none of them had to switch over long-established stores overnight. Wal-Mart started with one product, motor oil, and slowly built up the strategy through word of mouth. Once consumers became convinced that (a) the price really was low; and (b), that they wouldn't see it any lower at Wal-Mart, sales took off.

The abrupt change had other negative ramifications. Sears customers had become conditioned, through decades of shopping, to wait for sales before buying. In a post-EDLP lawsuit, for example, New York Attorney General Robert Abrams charged that of thousands of vacuum cleaners sold in the past year, only a handful had been sold at list price. Over 99 percent were sold at sales prices that ranged from the new everyday low price to considerably lower. Those sale shoppers bailed out early.

The onslaught of shoppers brought out by Sears' advertising blitz also had a negative impact. Ironically, the crowds negated one of EDLP's most attractive features; by evening demand (no sales period), shoppers are more likely to avoid heavy crowds in peak periods. The blitz raised exactly the opposite perception, and a lot of potential customers never came back.

The crowds also negated another benefit, increased service theoretically made possible by more even demand. No one could explain to a shopper why the everyday low price

(Continued on page 91)

Sears U.S. Full-Line Store Results

Sales (in bil)		Percent Change	Earnings (in mil)		Percent Change	Number of stores to be remodeled	Store Count			Sales per sq. ft.
1989	1988	89-88	1989	1988	89-88	1989	1/89	1/90	1/91	1989
$19.5	$19.1	2%	$483	($312)	—	300	824	847	876	$347

Sales represent U.S. multi-department store sales only; Earnings are operating income from continuing operations before taxes and extraordinary items for Sears Merchandise division.

Source: DSN research

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Sears Weathers Transition

(Continued from page 89)

was, in the long run, more advantageous than the old sale price. More customers walked.

Retail sales took a hit, and Sears wavered in its commitment to EDLP, boosting advertising (an EDLP no-no) and even featuring sale merchandise in-store.

The mixed messages seem to be at an end, though, and Sears has settled in for the long haul.

Lured by the success of the Brand Central departments, consumers seem to be returning to Sears' aisles. Its challenge will come over the next year as it rolls out upgraded power formats in its often dowdy apparel departments.

Meanwhile, the company will reap at least some of the rewards of EDLP. It will have a more predictable level of inventory, reducing out-of-stocks and overstocks, and its advertising and promotional budget should be slashed. The recapture of lost sales due to fewer out-of-stocks and reduced expenses should fall to the bottom line.

In fiscal 1990, Sears Merchandise Group sales rose only 3 percent, to $28.8 billion from $27.8 billion a year ago.

However, the actual amount of sales out of Sears U.S. full-line department stores remained, at $19.4 billion, essentially flat. As a percentage of sales in the Merchandise Group, department store sales actually declined, to 77.8 percent from 79 percent a year ago (and 81.6 percent the year before that).

Operating income, however, rebounded from a loss of $312 million in 1988 to a $483 million gain in 1989. Sears did not indicate how much of that profit was produced by the stores, as opposed to its direct marketing, specialty store and credit operations. However, operating profits are still well below historical levels.

Sears has taken a beating in the press, both consumer and trade, for its half-hearted adoption of EDLP. However, the powerhouse seems to have recaptured some of the old Sears magic. It has marshalled its many strengths (including unrivaled buying clout) to once again fill its stores with desirable merchandise at reasonable prices.

Sears promises to be even more competitive in the coming year. Brand Central will be omnipresent in Sears stores later this year (it has already reached over 600 stores), and other power formats will be rolled out as well. The company will also explore more specialty store operations, possibly going the acquisition route.

K mart and Wal-Mart may be generating more sales out of their U.S. full-line stores at present, but don't count Sears out yet.

Changes in Deep Drug Discounting

(Continued from page 87)

store subsidiary also gave up on deep drug discounting last year, closing the last two Value Giant discount units in Hayward, Calif. That administered the coup de grace to a deep discount concept Pay Less had launched in 1986.

In 1988, it had closed 10 deep discount units operating in the southwest under the name Wonder World.

All 290 Pay Less NW drug stores now follow a conventional pricing policy. Pay Less itself is more than a typical drug store. It carries a broader range of general merchandise goods, including apparel, than other drug chains.

Perry Drug reportedly has lost interest in its 16-unit deep discount chain, A.L. Price, and may be looking for a buyer.

To the contrary, Phar-Mor continues its explosive growth. Having added 50 new stores in 1989 for a year end total of 164, Phar-Mor plans to open more than 70 in 1990 and a similar number next year, pushing store count to more than 300.

The total count for deep drug units approaches 1,000, what with the 45 percent increase at Phar-Mor, No. 1 in sales, to 164 units and a 19 percent gain in Drug Emporium to 195, of which 80 are company-owned and 115 are franchised units.

Phar-Mor, Youngstown, Ohio, now operates in 18 states and pushed to the eastern seaboard last year by opening a 60,000-square-foot unit in Franklin Mills, a 1.1 million-square foot off-price mall in Philadelphia. Other new markets ranged from Detroit to Denver and Phoenix.

The total also reflects the entrance of two more conventional drug chains into the deep discount field. Genovese launched its Great American deep discount chain with two units in 1989, and Harco opened its first Drug Mart in Tuscaloosa, Ala.

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Hypermarkets Adapting to American Preferences

Reports of the death of the hypermarket in the United States may have been exaggerated. While growth of the concept has been significantly below early projections and while several (mainly foreign-owned) hypermarkets have struggled over the past two years, a new American-style hypermarket seems to be arising. And, it appears, the revamped look has met with a degree of success.

The first round of hypermarket openings in the United States concentrated on pure size. Wal-Mart's Hypermart USA and Bigg's early units all topped 200,000 square feet, and Auchan, K mart's first American Fare and Carrefour all came close to that figure.

The original concept also included severely limited sku counts, concentrating on most-wanted items stacked high and at market-lowest prices.

In Europe, which has some 40 years of experience with the hypermarket, and where the hypermarkets' only competition is, generally speaking, the local specialty store, shoppers are accustomed to shopping the massive combination stores for staples, filling in other items in their village or neighborhood.

Americans, however, expect more convenience and selection. And after a brief curiosity period, they clearly said that the stores were too big and intimidating. And much too difficult to get into and out of.

Retailers are, if nothing else, quick to sense the mood of their shoppers, and Wal-Mart and K mart reacted quickly. Both have downsized to a degree, opened up sightlines and increased sku counts significantly. While Wal-Mart didn't go as far as folding its purer hypermarkets into its smaller, higher-sku Super-Center format, it did rename the stores (Wal-Mart's Hypermart USA) and tripled the general merchandise sku count to 120,000.

K mart, similarly, downsized its newer American Fare hypermarkets, and now refers to both them and its smaller Super K mart grocery/general merchandise super centers in the same breath.

ShopKo, a relative latecomer to the field, seems to have learned from its larger competitors (and its parent Super Valu's involvement with the early Bigg's concept). Its Twin Valu stores, while large, seem much more like traditional discount stores than do either Hypermart USA or American Fare. With the exception of a central bargain wall, sightlines are noticeably lower than in other hypermarkets, and the sku count in most departments is considerably higher. Where most competitors settled on bold, futuristic design and color schemes, Twin Valu opted for subdued, pastel colorations and a traditional racetrack formulation. The result: in less than a year of operation, Twin Valu quickly reached performance levels similar to its more established rivals.

However, of all hypermarkets (with the exception of longtime localized quasi-hypermarket retailers Meijer's and Fred Meyer), only the Wal-Mart version has actually reached sales requirements. Estimates vary, but at the traditional hypermarket margin of 15 percent, some $75 million per unit per year is required to make the effort worthwhile. Most units nationwide are taking in only $50 million or so, and many are selling way too much low-margin food and not enough higher-margin general merchandise.

The future of this form of retailing seems to be in lower-cost, smaller-size and slightly higher-margin versions of the hypermarket model. The ideal market seems to be far enough outside a major metro area to draw from surrounding rural and semi-rural populations. Wal-Mart's success, with locations spotted outside major cities like Dallas and Kansas City, is a good example. Shoppers at the chain's Garland, Texas, location, for instance, can drive in from out of town, then quickly get back on major highways without having to deal with downtown Dallas traffic.

Last year, total hypermarket sales rose a healthy 61 percent, although units rose sharply as well. Now a $1 billion industry, the category should continue to grow in large leaps.

However, the concept will probably not grow at any-

(Continued on page 100)

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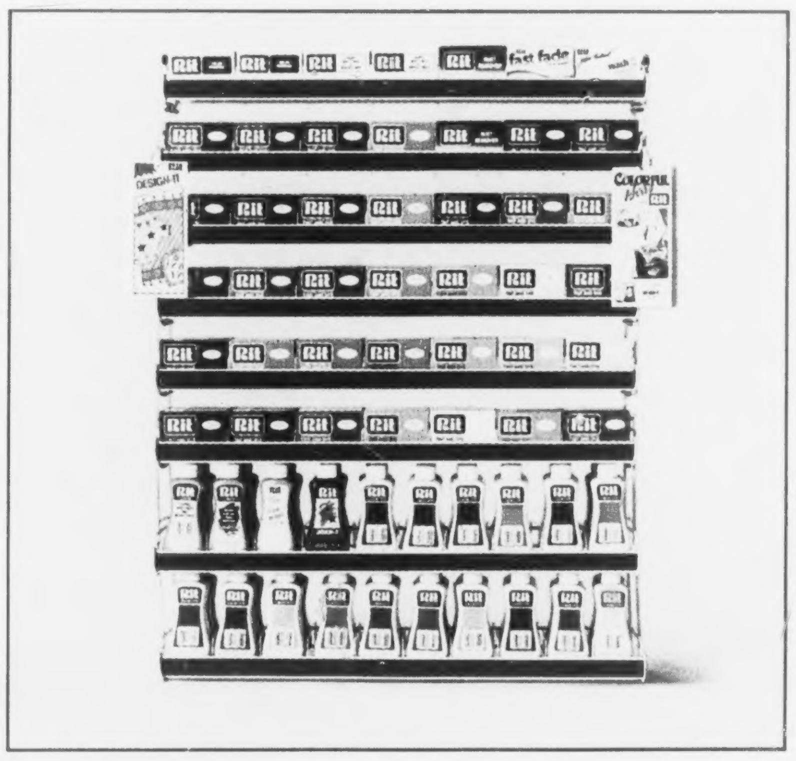

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Variety Stores Need New Look for the '90s

Variety store chains will need to update their store design and merchandise selection if they are to regain profitability, the financial facts suggest.

An analysis of the sales and profit performance of leading variety store operators over the past decade indicates variety store formats must evolve beyond their nickel and dime store design and selection if they are to survive competition from discount and dollar stores.

The United States is littered with variety stores that look the same as the day they were built. As the customer base and competitive environment has grown up around these stores, most of the locations have done little more than age in appearance.

Woolworth and Ben Franklin are the only two major variety store operators that were profitable in 1989; they are also the most advanced in updating their store formats and merchandise direction.

At Woolworth, the increased sales and profits were partly the result of the firm's new Woolworth Express variety convenience store format.

Woolworth has also given a general facelift to existing profitable variety stores. The decision to close unprofitable locations also helped performance.

Seventy-six Woolworths were closed between January 1989 and January 1990; only seven new variety units will be opened this year, hinting at the limited potential of a basic variety store concept. In contrast, the number of Woolworth Express convenience stores more than doubled to 37 units between 1988 and 1989; another 23 Express stores are slated to open this year.

Ben Franklin—for sale by its parent, National Intergroup—is growing in a new direction without abandoning its variety store and wholesale/distribution roots. Craft stores are expected to be key to the wholesaler/retailer's future sales and profit growth.

Similarly, Winn's continues to experiment with a craft store format. While the firm would not release income information, a $2 million rise in sales coupled with sales of higher margin craft supplies merchandise undoubtedly boosted profits in 1989.

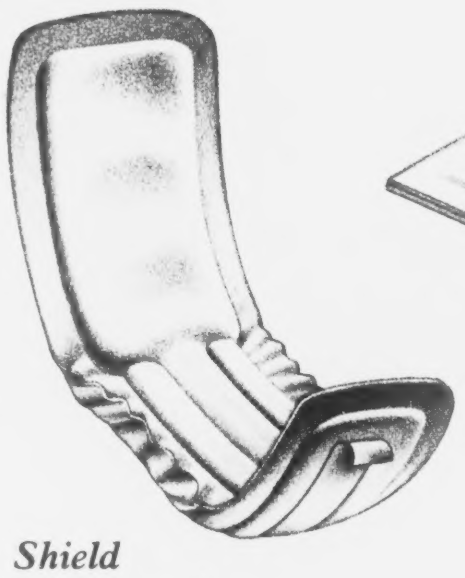
Fred's variety stores, under direction from crisis management team The Finley Group brought in just over two years ago, is beginning to turn the tide of red ink.

The renewed dedication to "count up, clean up and speak up" at all levels of operation, is expected to pay off, according to Fred's acting president, Tim Finley. Sales were down by $13 million, but losses were just over half the 1988 level. Losses were over $10 million in 1988 but were reduced to $6.7 million last year. Thirty stores are to be remodeled this year.

The roughly year-old name, and logo change to, "Sprouse!" and store remodeling program has thus far helped the variety store retailer's sales. Profits, however, continue to lag. Sprouse is now soliciting bids following a takeover attempt by a real estate investor.

McCrory has attempted to change its image and focus by converting most of its T G &Y stores and Odd Lot stores to the Bargain Time closeout store concept. Nonetheless, the conversion to the Bargain Time format, which took place early last year, reported a loss. During the 11 months ended Jan. 2, 1990, 229 Bargain Time stores generated sales of $150.7 million; costs and expenses were $227.2 million. Last September, McCrory also acquired GC Murphy from Ames.

The McCrory Corp., as a whole, dropped $19 million in net sales and plummeted $96.7 million in operating profits. *(See chart, page 87.)*



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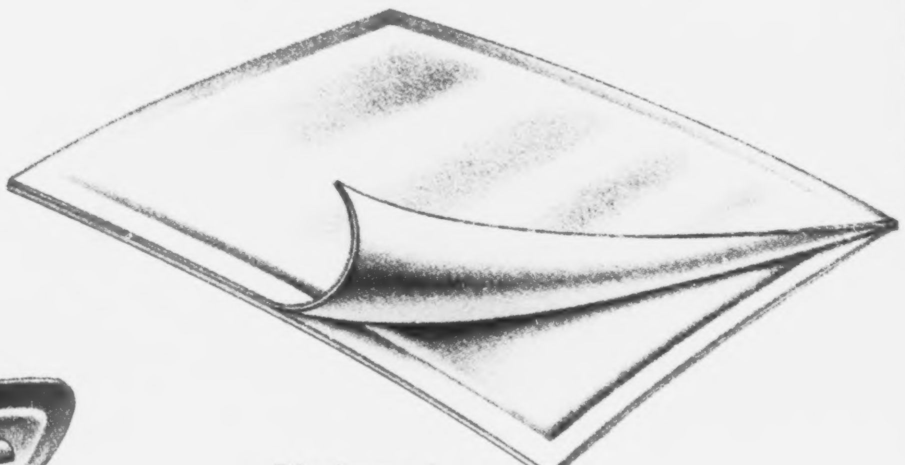

Underpad
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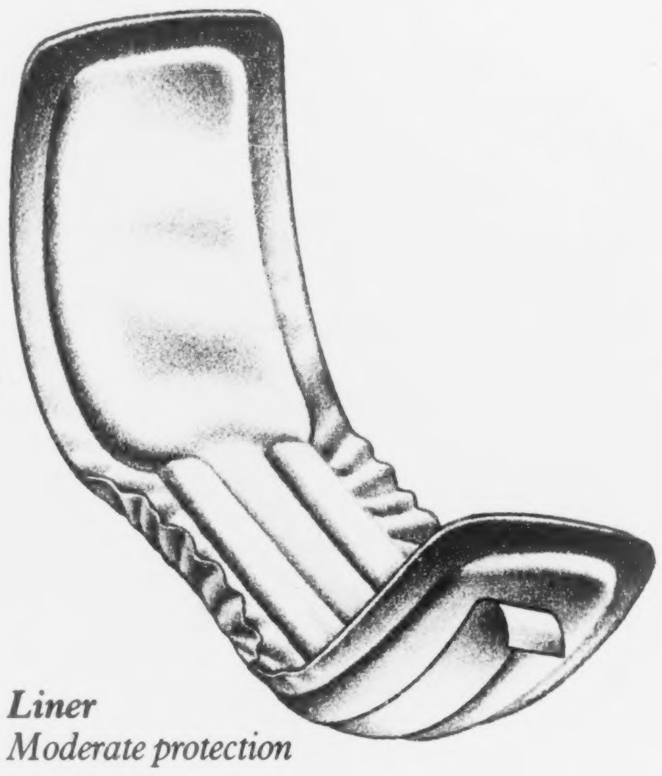
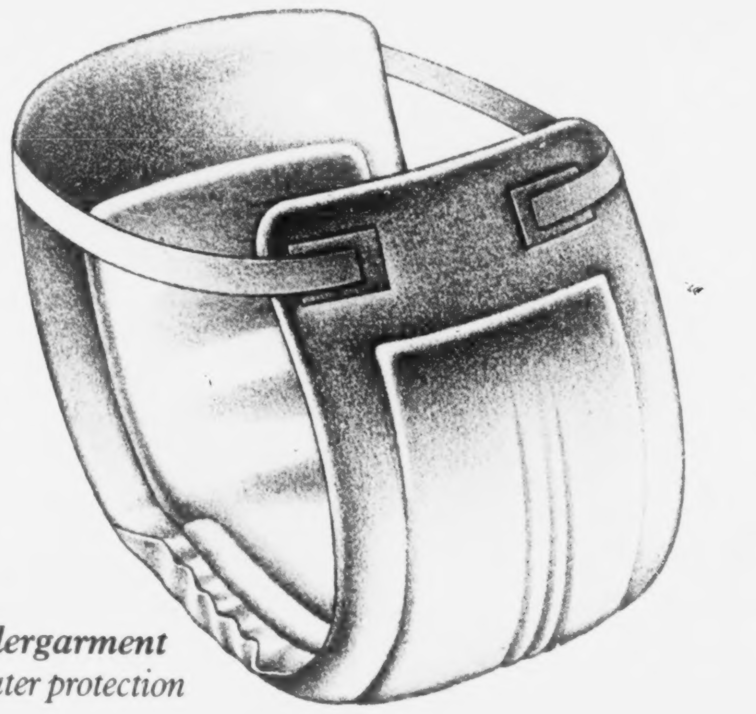
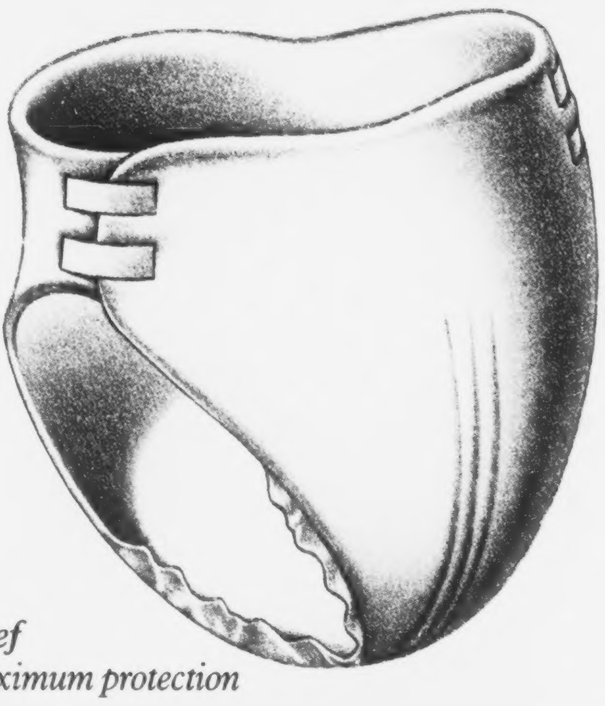


Liner
Moderate protection



Undergarment
Greater protection



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Dollar Chains Try New Systems to Compete

The challenge for some of the top dollar store operators last year was to develop systems and executives to manage continued store expansion at these chains.

Profitability was frequently determined by the sophistication—or presence—of any management information or POS systems, especially among the two largest chains.

Dollar General, for instance, which invested in new systems several years ago, reported an earnings increase for 1989, while Family Dollar, only beginning to install new systems had a rougher time in 1989.

Making the investment in MIS more urgent is the growing competition among dollar discount chains. Family Dollar and Dollar General are running head-to-head in the Southeast and South Central retailing hotbed; Bill's Dollar Stores is expanding rapidly into this same area, targeting 1,000 stores in two to four years.

This competitive environment among the chains needs state-of-the-art systems to reduce out-of-stock problems and keep merchandisers up on buying trends. As store counts rise, keeping tabs on the merchandise requirements of individual units could force other chains to consider investing in MIS and POS systems.

Family Dollar will focus on out-of-stocks by investing in new inventory replenishment software and the gradual rollout of POS equipment to all stores over the next few years, according its annual report to stockholders.

Profits have been taking a one-step-forward, two-steps-back path since 1986. Out-of-stocks, increased advertising expenditures in the second half, and markdowns were culprit last year.

Family Dollar's efforts to turn around profits during the current fiscal year will hinge not only on new systems but also on greater emphasis on private label goods and adjusting markups as market conditions permit. The benefits of new systems like those being installed at Family Dollar are already being enjoyed at Dollar General, which continued its rebound from a precipitous drop in earnings in 1986.

Last year's inventory levels at Dollar General were reduced by over $30 million due to, in part, a $17 million capital investment for an automated distribution center and the new MIS. The bottom line was benefited further by a reduction in Dollar General's shrinkage level to 2.8 percent. Just a few years earlier, shrinkage levels were nearly 4 percent linked, in part, to acquiring the 206 Florida-based chain, Eagle Army and Navy.

An overhaul of key executives since January 1989 may have also contributed to the strengthened bottom line. The vp of merchandising/operations; vp of store operations; director of MIS resources, new merchandise managers in both the soft goods and hard goods areas plus seven new buyers were all named since 1989.

While Dollar General's investment in new systems paid off, Bargain Town might need to wait a year or two for its payoff. Its parent, The Enstar Group, reported its Specialty Retail division (Shoe City) suffered a nearly $13 million operations loss due to "an unsuccessful initial conversion to new merchandising and financial systems" as part of a move to a distribution site and headquarters in Montgomery, Ala.

While Bargain Town is part of the AMRET division of Enstar, not the Specialty Retail division, the two units share the DC and headquarters and was hurt by the DC problems as well. Jay R. Kline, chairman and ceo of Enstar Specialty Retail, told *DSN* that the system problems at the DC have been solved and the firm is well positioned for a profitable 1990.

Bill's new store growth will be not only in its typical dollar store format, but also by exploring leased department opportunities in grocery chains. The company opened its first store within a store March 1989, in a Meridian, Miss., Sack and Save food store.

Bill's decided scanning systems in stores were not cost-efficient; after testing scanning in 100 stores, they were phased out. The chain expects to operate separate department registers by next year to make merchandise sales easier to track. While its feels scanning at stores is not needed, scanning at the DC is currently being installed for picking.

(See chart, page 87.)

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Bargain Time Joins Ranks of Industry Leaders

Pic 'N' Save put itself on the auction and called a truce with an adversary trying to seize control of its board.

Bargain Time is enjoying its status as the "New Kid on the Block" of closeout retailing.

And, Consolidated Stores "induced" its previous chairman to quit after posting an operating loss.

Those were the major developments over the past 12 months in the arcane field of closeout retailing, where knowing where to buy distressed goods for pennies on the dollar provides the key to success.

Bargain Time, operated as a division of McCrory Stores, carried through with its plans to turn the Big Two of closeouting, Consolidated and Pic 'N' Save, into the Big Three. McCrory built it on the foundation of the 103-store Odd Lot Trading closeout chain that its parent, Riklis Family Corp., acquired from Revco in 1988.

Many of the 190 Bargain Time units that sprang into action last year were former TG&Y units that McCrory had acquired. In fact, the Oklahoma City headquarters of Bargain Time are located in a former TG&Y building. Opening its first unit in February 1989, the new chain generated revenues of $160 million in its first year.

Bargain Time is using 1990 as a year to solidify its position and plans to close a net of 10 of its 190 stores. In other economy moves, McCrory closed the Newark, N.J., buying office of Bargain Time and moved buyers to its headquarters in York, Pa. It also is shifting some administrative functions from Bargain Time headquarters in Oklahoma City to York.

The 1989 revenues put Bargain Time No. 3 in sales behind Pic 'N' Save— battling to fend off an investment group attempting to seize control of the board and force a sale.

In the latest development, Pic 'N' Save and its adversary, Girard Partners, called a truce last month after a federal judge ruled that the partnership possibly violated U.S. security laws in the way it was waging a proxy fight to gain control (see story, *DSN*, June 18, 1990, page 3).

Pic 'N' Save and Girard agreed to cease their proxy battle until July 15, the date Pic 'N' Save set for prospective buyers to submit bids. It also agreed to postpone its annual meeting until Aug. 15.

David Batchelder, a former strategist for corporate raider T. Boone Pickens, heads Girard. Minority partners include warehouse club entrepreneur Robert J. McNulty, one of our men Girard wants to install on Pic 'N' Save's board.

Girard put Pic 'N' Save into play in May when it disclosed it had acquired a 6.6 percent stake in the chain and declared it would sell the chain if it succeeded in wresting control.

In response, Pic 'N' Save put itself on the auction block and offered Girard two board seats. When those moves failed to deter Girard, Pic 'N' Save sued in U.S. District Court, charging that Girard violated security laws in the way it was soliciting stockholders.

Making it vulnerable to stockholder discontent, Pic 'N' Save saw its operating profits erode to $50.9 million in 1989 from $77.7 million the previous year. Sales had risen to $475.2 million from $401.7 million.

To cut costs, Pic 'N' Save closed the 263,500-square-foot distribution center in Paterson, N.J., it acquired when purchasing the 16-store Job Lot Pushcart chain from Value Merchants (formerly Wisconsin Toys) in 1988. Construction continues on Pic 'N' Save's $59 million distribution center in New Orleans, intended to supply the California-based chain's expansion into Louisiana, Atlanta and Metro New York. Pic 'N' Save expects to open the 1.1 million-square-foot DC in the first quarter of 1991.

Industry leader Consolidated Stores also felt heat last year, recording a $14.5 million operating loss, compared with an operating profit of $37 million the previous year. Sales declined to $608.7 million from $626.6 million.

James Guinan suddenly was out as chief executive officer and William Kelley was in. As an inducement to persuade Guinan to resign Jan. 12, 1990, Consolidated amended his contract to pay him a $450,000 severance allowance if the chain changes hands during the next 12 months.

(Continued on page 100)

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Bargain Time Joins Closeouting Elite

(Continued from page 99)

In Consolidated's 1989 annual report, Kelley said results reflected "costs from changes in senior management," closing its southern distribution center and "a one-time charge to refocus the business on closeout retailing."

Consolidated "had begun to stray from its unique marketing niche as the leading closeout retail chain," Kelley said in his letter to stockholders. "The company was starting to look more like a discount store chain," Kelley said, and the 1989 results show that was a mistake.

Although Value Merchants got out of the general closeout business by selling its Job Lot Pushcart chain, it is carving out a niche as a specialty closeout operator.

Last July, it acquired Everything's a $1.00, Virginia Beach, Va. As its name says, Everything's operates under a one price policy of $1 for gifts, toys, jewelry, kitchen gadgets and hardware. Everything's describes itself as "five and dime of the '90s."

The chain generated revenues of $40 million last year from 60 stores and expects to operate a total of 105 stores by year-end.

Value Merchants also operates Toy Liquidators, specializing in toy closeouts.

In another expansion move, Value Merchants bought the 20 remaining toy stores of Toy King, Orlando, Fla., and will convert some to Toy Liquidator units and others to the dollar concept.

The demise this spring of Heck's as a discount store operator saw the emergence of another type of specialty closeout operation. Jordache Enterprises bought 60 Heck's units and converted them to stores that deal primarily in closeout apparel, including Jordache brand clothing, under the name L.A. Joe.

Dollar Bargain, a closeout chain that once counted 50 stores, changed hands with the sale this spring of its bankrupt parent, Glosser Bros., (which also operated 17 Gee Bee discount stores) to Schottenstein Stores. Dollar Bargain was down to 18 units when the end came for yet another full-line discounter.

While Hurricane Hugo and the San Francisco earthquake last year devastated local retailing, they held a silver lining for Building #19, which deals primarily in salvage goods, with closeouts filling in the gaps. The disasters generated an abnormally large volume of damaged goods.

Tuesday Morning, a closeout chain that operates only during four key marketing periods, such as back-to-school and Christmas, is another closeouter that isn't complaining about 1989. Sales shot up to $97.8 million in 1989, from $81.6 million the previous year. The Dallas-based chain boosted store count to 114 from 101. *(See chart, page 87)*

Hypermarkets Adapting to American Tastes

(Continued from page 93)

where near the rate of warehouse clubs and, before that, discount stores. American life just doesn't allow for two-hour store visits, and an original criticism of the concept, that Americans view food shopping and merchandise shopping as two separate, virtually exclusive tasks, seems to have been borne out.

But a much stronger muffler of growth is a simple fact of economic life. There are easier ways to make money.

Wal-Mart, easily the most successful practitioner of the hypermarket concept, said as much when it reported that it would convert its stores to, essentially, SuperCenters. According to a source, the Hypermart USA concept met all of its plans, but was just too much of a hassle and, with such low margins, too nerve-wracking.

Auchan and Carrefour, both owned by French operators and both much closer to the European model, remain competitive, but don't appear to be adapting well to the American consumer.

Auchan has tried something different, creating "specialty stores" within its locations in key areas such as consumer electronics and toys in an attempt to draw more customers from the food side into the general merchandise area. Results, so far, are inconclusive.

Carrefour, after a protracted labor dispute, appears to be holding strictly to its original concept, which has been successful in other parts of the world. Sales in its second year grew a modest 8.3 percent, and the opening of its second unit (possibly in southern Florida), if that occurs, may be a turning point, one way or the other. *(See chart, page 87)*

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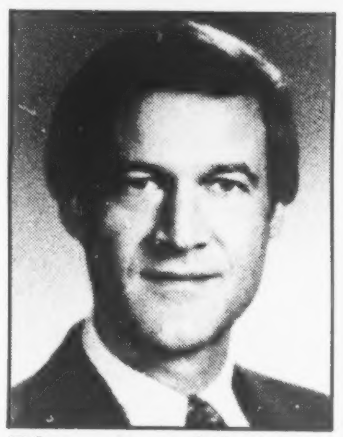

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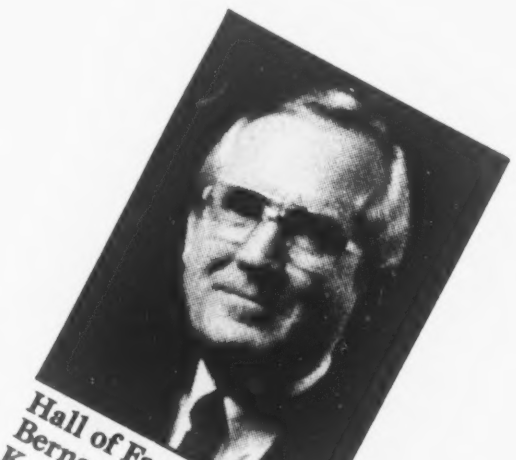

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May Plans IPO to Facilitate Sale of Venture Subsidiary

(Continued from page 1)

to take place back in April, but chaos in the money markets prevented Venture from raising the cash.

By raising anywhere from $37 million to $41 million, depending on the Venture share price, in fresh investor equity to pay down short-term debt, May has eased the way for Venture to borrow the $305 million and improve its balance sheet. The IPO will inject an estimated $35 million, net, into Venture's coffers.

Similarly, May had to structure the Caldor deal so it retained a 20 percent equity interest, in effect putting up the down payment in the form of seller's paper. That made it easier for the new owners, Odyssey L.P., to borrow $500 million to swing the Caldor LBO.

Venture expects to raise the $305 million by: selling to Metropolitan Life and leasing back 29 stores and two distribution centers, $171 million; mortgaging 14 other stores, $73 million; and drawing on its line of credit, $61 million.

Morgan Stanley is handling the IPO. In its prospectus, May said it expects to receive anywhere from $16 to $18 a share for the 2.32 million shares it will sell to the public. Venture would trade on the New York Stock Exchange under the symbol VEN.

With almost 16 million shares outstanding, Venture would be worth anywhere from $256 million to $288 million on the stock market.

Venture, which May launched in 1970, would begin independent life with total assets of $394 million, down from $549 million at present, while total debt would increase to $122 million from $20 million. Shareholder's investment would plunge to $50 million from $310 million (the value of May's equity in Venture.)

Venture would become "significantly leveraged," May said, with a debt to capitalization ratio of 78.8 percent. Venture's level of debt may affect its ability to pay dividends, May acknowledged, as well as require a large amount of cash for interest and rent in every quarter, even though most of its earnings (75 percent) and cash flow occur in the fourth quarter.

In 1989, Venture sales from 75 stores (now 76) rose 3.6 percent to $1.36 billion from $1.29 billion in 1988. Same store sales increased 2.9 percent last year, an improvement from 2.2 percent in 1988 and 1 percent in 1987.

Net earnings, after its share of income taxes, interest and a non-recurring charge of $35 million related to the spinoff, fell to $12 million in 1989 from $33 million in 1988.

Without that extraordinary item, net earnings would have been $47 million.

An unspecified portion of that $35 million went to top executives as an inducement for them to remain, the prospectus said.

May reported operating profits, pre-tax and pre-interest, of $80 million in 1989, down from $81 million in 1988.

Green Seal Program Debuts

(Continued from page 5)

Mart, Hayes said. Their reaction: we're interested, we're concerned about the integrity of the seal and keep us posted, he said.

Green Seal also expects that Wal-Mart might will feature Green Seal products in its Green Aisle, Hayes said.

"We have warm, amicable relations with Green Cross," Hayes said, predicting that consumers won't be confused when they see Green Crosses and Green Seals sitting next to each other on shelves.

Green Seal enjoys widespread backing of environmental groups, such as the Sierra Club and the Natural Resources Defense Council, Hayes said. "Consumers will be able to recognize that."

The Green Cross program, although also non-profit, is being operated by Scientific Certification Systems, a for-profit environmental testing concern. Green Cross enjoys the support of the National Toxic Campaign, an environmental group that seeks to curb the use of toxic chemicals.

Green Seal is targeting five common, inexpensive product categories: laundry products, toilet paper, facial tissues, light house paint, light bulbs.

If manufacturers cooperate, Green Seal tags could go up by the first half of 1991.

Green Seal will operate on a no-risk (except for the test costs) basis with suppliers, Hayes said. If their products fail, Green Seal will give them the results without publicity for possible reformulating.

To avoid the kinds of conflicts the American Heart Association encountered with the Food & Drug Administration over its abortive healthy heart seal, Green Seal won't touch food.

Green Seal intends to establish marketing programs first with manufacturers and then retailers to capitalize on the seal of approval.

The Green Seal will give a manufacturer greater visibility than those that lack one, Hayes said.

Green Seal will operate on a first-year budget of $750,000, all donated from private sources.

A typical discount store carries "tens of thousands of products" that are candidates for Green Seal consideration, Hayes said.

Because the infant program has yet even to set standards, Green Seals has signed no manufacturers so far.

Hayes was unable to estimate how much the testing and licensing would cost for a major producer of light bulbs, for example, to obtain a Green Seal. Based on the experience of programs in other countries, Hayes, nonetheless, predicted that Green Seal costs won't increase consumer prices.

Green Seal will take a cradle-to-grave look at products. It intends to determine whether a manufacturer pollutes while making it, whether the product indirectly diminishes pollution, say an especially efficient light bulb, whether its packaging is wasteful and whether the product causes pollution after being discarded, such as releasing mercury or heavy metal inks.

Capitalizing on the Crafts Craze

(Continued from page 7)

turer is not yet able to provide UPC coding, Ben Franklin is creating its own UPC labels compatible with its POS to insure that it has complete tracking of sales by item.

The variety store division has taught consumers to associate the Ben Franklin name with discounted merchandise. While the craft stores will feature very competitive prices on high-volume "pledge items," lack of crafts competition will allow the company to push mark-up far above variety store levels. Pledge items include Creamcoat stencil paint for 99 cents and DMC embroidery floss priced four for a $1.

The two largest sales and profit producers in the store are expected to be the framing shop and floral department, together accounting for half of total dollar volume, according to John Menzer, president of the craft stores division. Wearable art also continues to be one of the craft industry's high traffic and volume departments.

The Fort Wayne prototype is a craft supplies selling machine. The store layout, fixtures, front-end system, assortment and instructional class schedule are designed to draw every possible craft consumer and get them out of the store expediently.

While most craft stores have a tried and true small core shopper base, Ben Franklin Crafts has developed programs and merchandising to lure typically non-craft consumers such as men, children and first-time craft shoppers into the store.

A special three-hour course targeted to fathers will let dads walk out of the store with a completed dollhouse . . . and any other dollhouse furniture kits or interior decor supplies sold in the store.

One department near the front of the store features beginner craft projects with special emphasis on items that can be done quickly and easily by children. Even the shopper who will not be lured into buying crafts supplies could be coaxed into making a purchase. Unlike most craft stores, there is a department at the front of the store where local craftsmen can sell their wares on consignment, encouraging community involvement in the store while letting the person who has no time to make crafts buy a ready-made crafts product.

Over 500 handmade models are suspended on "model boards" above every type of craft supply, illustrating to the shopper how the materials could be combined to create everything from wedding veils to stenciled coat racks and painted sweatshirts.

The markets being pursued by Ben Franklin Crafts will not be home to any dominant craft retailers, which still leaves most of the United States "virgin craft territory," said Ward.

Waccamaw Inc., the home decor superstore chain based in Myrtle Beach, S.C., offers a broad enough craft—especially silk flower—selection to warrant some adjustments in Ben Franklin assortments said Johnson. "Waccamaw is a category killer. We might want to adjust our floral and floral container department in shared markets," he noted.

Fred Meyer Optimistic After 1989 Earnings Hit

(Continued from page 5)

chandise. Stevens said adaptations of this format will be used in the four more large multi-department stores the chain plans to open this year in Portland, Bremerton and Puyallup, Wash., and Bend, Ore.

Stevens said the chain is also looking at future sites in Northern California, although no sites have currently been finalized. He said the chain is interested in Sacramento, but that it will not enter the growing market until it can open three stores there simultaneously.

While other retailers continue to try to blend food and non-food together, Stevens said few have been as successful at it as Fred Meyer. He said the chain's extensive offering of over 200,000 sku's not only exceeds that of many mass merchants, but also allows the chain to have the product and category depth necessary to compete with specialty retailers.

In response to questions about the future fate of large multidepartment stores such as Fred Meyer, Stevens said he doesn't believe consumers have the time to consistently drive around town shopping at specialty retailers.

Stevens also said the chain is remaining aggressive in its environmental efforts. In January of this year, Fred Meyer introduced a six-point "earth-friendly" program, which the chain followed up with the introduction of a Green Cross labeling program this spring.

Starting in July, products meeting certain standards—verified by a third party certification company—will begin receiving the Green Cross Recycling Seal of Approval, according to company spokesman Robert Boley. Later, goods that meet specific product and packaging standards will be given the Green Cross Environment Seal of Approval.

Mobil Seeks Degradability Standard

(Continued from page 5)

against the suits if the seven states spurn its offer.

So far, 35 states have passed laws that regulate degradability, including California and Minnesota, Mobil said. It claimed its trash bags meet those two state standards.

In the face of criticism over its degradability claim, Mobil had agreed to delete the claim from Hefty even before the states took it to court.

Mobil's claim of degradability refers to photo, or light, degradability. If exposed to months of sunlight, those bags supposedly break into small bits from the effect of ultraviolet rays.

Florida, which beginning this year requires all retailers to use photodegradable plastic or paper for takeout bags, specifies that they must break down within 120 days of exposure.

Environmentalists view photodegradability as a spurious claim because communities normally bury trash bags in airtight, waterproof landfills where the plastic never sees the light of day.

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Meijer, Columbus Ohio: The hypermarket operator will square off against several Wal-Mart stores in this market. (DSN photo)

Meijer Faces Challenge From Wal-Mart Thrust

GRAND RAPIDS, Mich. — Meijer, perhaps the most successful hypermarket operator in the United States today, will soon face the ultimate challenge: Wal-Mart.

Until recently, the 58 Meijer stores in Michigan and Ohio have been only peripherally threatened by Wal-Mart. Some time in 1990, however, the competitive scene will change.

Wal-Mart has "seeded" these two states and opened a new distribution center in Ohio, clear signals that area retailers can expect an out and out assault in subsequent years. Two Wal-Mart stores and two Sam's Wholesale Clubs are currently in Michigan; 12 Wal-Marts and four Sam's are in Ohio. Ten of Meijer's stores are in Ohio and the balance are in Michigan.

In addition to Wal-Mart, Target is also said to be eyeing store locations in and around the Columbus, Ohio, market. Target's general merchandise assortment is quite similar to the upscale mix at Meijer.

While K mart, Harts, Hills,

(Continued on page 89)

Circus World Toys Joins Growing Melville Stable

By Laura Liebeck

RYE, N.Y. — Melville Corp., a diversified retailer operating major chains in the off-price apparel, toy, deep discount drug and household furnishings markets, has bought the 330-unit Circus World toy store chain for $95 million in cash.

Pending regulatory approval, the addition of Circus World to Melville's Kay-Bee chain of mall toy stores next month will propel Kay-Bee into the No. 2 rank among specialty toy chains in the nation.

Melville Corp. recorded 1989 sales of $7.6 billion, making the retailer about the same size as Target Stores, the No. 3 ranked discount retailer in the nation. Melville's off-price discount operations generated about $3 billion in sales last year.

Circus World is a wholly owned subsidiary of Greenman Brothers, a toy wholesaler and retailer based in Farmingdale, N.Y. According to Melville, Circus World is being purchased from operating cash flow and existing lines of credit.

The new Kay-Bee will be a chain of more than 1,100 stores, by far the largest chain based on store count in the toy industry. Since Kay-Bee already operates stores in all 50 states plus Puerto Rico, the addition of Circus World's 330 stores in 32 states will beef up the chain's presence in the nation's malls.

Melville's Discount Operations

	1989 Sales (in mil.)	No. of Stores
Melville Corp.	**$7,600**	**6,930**
Marshalls	1,900	347
Kay-Bee	724	777
Linens 'n things	183	126
Freddy's	161	25
Total Discount	**$2,968**	**1,275**
Circus World*	**178**	**326**

*To be merged with Kay-Bee, pending regulatory approval
*As of 1/90 Source: Melville Corp., Greenman Bros.

Kay-Bee's acquisition of Circus World also appears to be a good strategic move. The stores are similar in size and product mix and are geared to the same customer: the mall shopper. In addition, Kay-Bee is buying a profitable chain, which offers the Melville subsidiary the opportunity to expand with stores that are already profitable and have an existing customer base.

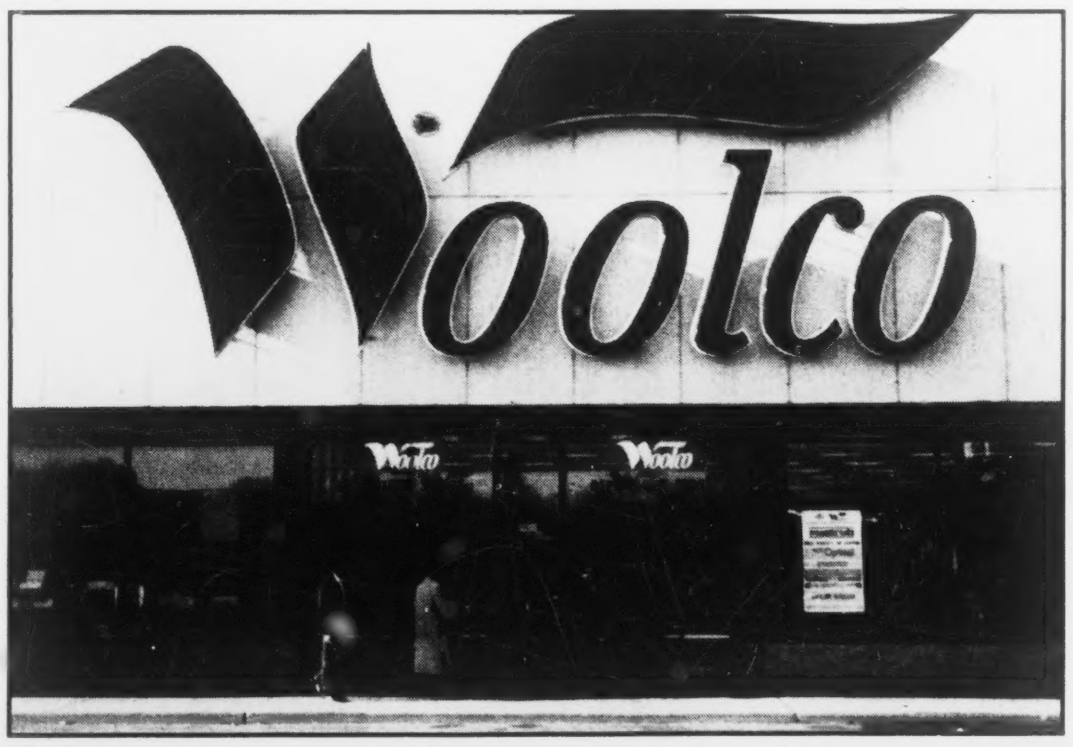
Melville was particularly attracted to Circus World's store locations—many of which Kay-

(Continued on page 92)

Canada's Chains Brace for Change

Tax Laws, Separatism Unsettle Canadian Landscape

By Mary Ellen Kelly
DSN Canadian Report



***Back from the dead?** Although it disappeared from the U.S. retail landscape some eight years ago, Woolco is still going strong in Canada, racking up $2.2 billion (Can.) in sales last year.*

Sweeping nationwide tax law changes and Quebec's drive for autonomy have placed the normally predictable Canadian retail environment on the verge of a major upheaval.

A stepped-up attack from heavyweight U.S. retailers such as TJX Cos., Toys "R" Us and The Price Co. is adding to the sense of uneasiness many Canadian retailers are feeling as the nation enters a critical point in its history.

If French-speaking Quebec wins its battle for some measure of separation from the rest of Canada, cross-border trade between other provinces and Quebec could become restricted at the same time as barriers with the United States dissolve.

Whether these changes would impact the business of retailers with stores in Quebec but headquartered elsewhere in Canada is unknown. As it stands, the relative dominance of the leading Canadian mass merchandisers has remained fairly constant for some time.

No major acquisitions, mergers, bankruptcy filings, or shifts in market dominance has altered the roster in recent years. Among the major mass merchandisers, Canadian Tire, a chain of hard lines specialty stores that sells everything from hockey sticks to housewares, is still the country's largest general merchant with nearly $2.9 billion (Can.) in 1989 sales. Woolco, which disappeared in the United States

(Continued on page 91)

Target Probes Updated DC Picking Technology

By Arthur Markowitz

FONTANA, Calif. — Target is testing a computerized break-pack picking system at its distribution center in this San Bernardino suburb that is expected to provide faster and more accurate selection of soft goods for less-than-carton shipments to stores.

The test involves PCS Technologies' Pic Pak system, which is already being used by such other retailers as Mervyns, The Limited and The Gap. Based on results of the test, Target could install the technology at its six other DCs, George Hite, vice president, public affairs said.

Pic Pak, which runs on a PC platform, reduces the amount of time that DC pickers spend in manually walking around the facility to selected goods for break pack orders. In Fontana, Pic Pak runs on a Tandem NonStop computer systems and NonStop SQL software.

Target is using Pic Pak for hanging and folded soft goods, although the technology can also process hard lines, Mike Cariappa, PCS Technologies' director of marketing said.

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Sporting Goods Show:

Fall Expo Moves Up to Summer

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Lawn & Garden Show:

Mulching Mowers Hot Among Buyers

page 5

Apparel Firms Practice What They Preach

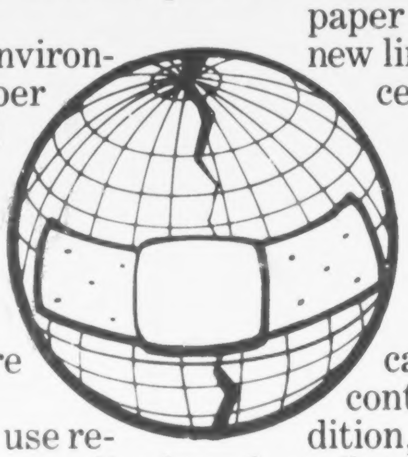
By Jill Lettich

Nationwide DSN Report

By using recycled paper, outlawing styrofoam cups in executive offices and, most importantly, establishing environmentally safe production guidelines, manufacturing companies are beginning to their put money where their mouths are when it comes to environmental issues.

In the last year, licensing of names and organizations such as the World Wildlife Fund and the Save the Earth Foundation has expanded. Major apparel manufacturers, Bonjour and Gitano to name two, have backed expensive advertising campaigns with an environmental theme. A bevy of new products have been introduced from toilet paper to toilet bowl cleaners—all designed with fragile Mother Earth in mind. Happily, behind this marketing glitz, very real and practical solutions are being implemented from the back office to the factory floor.

"It's important that this message be more than just hype. It needs to be expanded subtly into the corporate culture," explained Haim Dabah, president, Gitano Inc.



One of the easiest roads to sound environmental consciousness is through paper recycling. Huge computer runs used at Gitano are recycled. The company also used recycled paper for its 1989 Annual Report and continues to use it in its copy machines. Bonjour recycles its paper as well. In both companies, styrofoam cups are off-limits.

Though it can be more expensive to use recycled paper, major companies have displayed enough concern to not allow that to be a deterrent. Procter & Gamble prints its company magazine on recycled paper. McDonald's uses the paper for its copiers. Walt Disney uses it for its corporate stationery.

Those companies specifically marketing environmental products are almost obliged to use recycled paper for their corporate needs. Today's Choice, a new line of home paper products made from 100 percent recycled fiber, sent out its new product announcement on recycled paper and used both sides of a sheet as well.

EarthRite, a manufacturer which recently introduced a line of environmentally safe household cleansers, also uses recycled paper. At Earthrite, all company stationery, catalog sheets, display materials and shipping containers are made from recycled material. In addition, the plastic containers the cleansers are distributed in are marked "HDPE," tagging them for easy sorting as a recyclable plastic.

Beyond the corporate offices, changes in manufacturing are slowly making strides towards protecting the environment. In the apparel industry,

(Continued on page 91)

Environmental Concerns Crop Up for '90 Show

Mulching Mowers Are Hot Among Buyers of L&G

By Richard Halverson

LOUISVILLE, Ky. — Mulching mowers, a convenience product of the '70s that environmental concerns are reviving, could turn out to be the hit of Expo '90, the International Lawn, Garden and Power Equipment show sponsored by the Outdoor Power Equipment Institute.

Expo '90 runs from July 29 to 31 at the Kentucky Fair & Exposition Center in Louisville.

Similar environmental concerns are likely to heighten the demand for organic or environmentally friendly fertilizers and other garden chemicals.

"Mulchers are the hottest part of the power equipment field," said Dr. Chuck Greenidge, president of Greenidge & Associates, a market consulting firm in Evergreen, Colo. "They are getting an awful lot of acceptance."

Market share in 1990 is about 1 percent, still far below the peak of 5 percent in the late '70s.

Bans on lawn clippings in town dumps, as well as the convenience of not having to bag clippings, are prompting consumers to accept prices that run about one third higher than conventional mowers, he said.

In terms of convenience, mulchers are to lawn care what frozen foods are to cooking, Greenidge said. A mulcher is designed to grind grass clippings and then blow them down into a lawn, where they can rot, or compost, in place.

One drawback that killed enthusiasm for mulchers in the '70s is that users found they have to mow their lawns twice, or even three times as often for mulching to work properly.

Despite that drawback, consumers are turning to them again because a growing number of municipalities now ban grass clippings from from their dumps. Chicago is the latest, effective July 1, sending homeowners scurrying for alternatives. At least 32 states ban grass clippings from landfills.

Homelite has sold out its entire production run of 20,000 units and retailers have back ordered several thousand more. Toro also sold through on its mulcher production.

In addition to its push mulcher, Homelite introduced a five horsepower, self-propelled, 20-inch mulching mower that retails for $359.

As another indication of acceptance, Sears, Roebuck initially ordered 3,000 Craftsmen mulchers for this spring but quickly ordered 10,000 more.

At Expo '90, many buyers will be looking for lower priced mulchers to help build traffic.

(Continued on page 92)

Lawn and Garden Retail Sales

Activity	1985 $ Mil.	1986 $ Mil.	1987 $ Mil.	1988 $ Mil.	1989 $ Mil.
Lawn Care	$ 3,898	$ 4,317	$ 5,449	$ 5,342	$ 5,660
Flower Gardening	1,259	1,519	1,777	1,679	1,857
Indoor Houseplants	706	826	1,105	819	822
Vegetable Gardening	950	1,363	1,253	982	1,026
Shrub Care	699	659	840	853	844
Insect Control	653	992	979	880	1,052
Flower Bulbs	275	431	456	396	470
Tree Care	795	845	1,253	1,140	886
Landscaping	2,125	2,176	2,921	2,356	2,605
Fruit Trees	271	382	292	416	287
Raising Transplants	208	131	249	122	139
Container Gardening	*	310	305	235	240
Growing Berries	41	50	95	57	73
Ornamental Gardening	146	166	471	191	266
Herb Gardening	*	39	46	50	58
Total:	**$12,026**	**$14,206**	**$17,491**	**$15,518**	**$16,285**

** New category: untracked prior to 1986.*

Source: National Gardening Association, 1989 to 1990 National Gardening Survey.

After Drought, Lawn & Garden Up 5%

Nationwide DSN Report

Lawn and garden sales gained 5 percent from the drought-ravaged levels of 1988 but remain below the record sales in 1987.

In its 1989 to 90 National Gardening Survey, the National Gardening Association estimated that 1989 retail sales totaled $16.29 billion, compared with $15.52 billion in 1988. The 1987 peak was $17.5 billion.

The number of gardening households rose to 70 million, or 75 percent of the total of 92.8 million, up last year from 69 million in 1988. That equaled the 1987 figure of 70 million.

On average, each of those households spent $245 last year on their lawns and gardens, an increase from $227 in 1988 but below the 1987 average of $251, the survey noted.

(Continued on page 92)

Sporting Goods Buyers Benefit From Shows' New Timing

In Trying to Compete With Europe, NSGA Moves Show Even Earlier

CHICAGO — Although a twice-a-year show schedule is faltering in consumer electronics and housewares, it appears to be flourishing in sporting goods.

That is especially so now that the National Sporting Goods Association has gotten a jump on competing European shows by moving its World Sports Expo to the summer from fall. It moved last year's show to mid-September from October. Now it has moved it up again to July 30 to Aug. 2 in Chicago's McCormick Place.

American sporting goods buyers now can get their first look at next spring's merchandise at home, the NSGA claims, whereas they previously had to visit European shows that start in September to see it.

In a 1985 retiming, the NSGA moved up its show to the fall from February to avoid conflicts with the Sport-

(Continued on page 92)

Golf, Alpine Skiing Apparel Gain in NSGA Sports Survey

Nationwide DSN Report

Retail sales of sporting goods equipment and athletic apparel and footwear are projected to slacken to a 5.6 percent gain in 1990, or half the 11.2 percent rate in 1989.

In its annual Sporting Goods Market survey, National Sporting Goods Association projects that 1990 sales will increase to $29.6 billion from $28.05 billion in 1989. In comparison, sales rose almost twice as much in 1989 from the 1988 estimate of $25.2 billion.

In addition, sales of bicycles and supplies, surveyed separately under the recreational transport category, will add $2.37 billion more, for a total of almost $32 billion. The NSGA projects that bike sales will rise at the rate of 5 percent this year, close to the 5.6 percent rate in 1989.

In athletic apparel, the golf and alpine skiing categories should enjoy the

(Continued on page 92)

MARKETWATCH

BJ's Opens Fourth Store in Chicago

NATICK, Mass. — BJ's Wholesale Club plans to plant its fourth store in the Greater Chicago market by opening a 104,710-square-foot unit as the co-anchor of the Civic Center Plaza in Niles, Ill. Omni Super Store, a supermarket warehouse, will be the other anchor. It will be the wholesale club's first new unit in the Windy City since it acquired the three-store Metro chain in 1985.

Heck's to Sell 60 Stores to Jordache

NITRO, W.Va. — It's official. Heck's stockholders at their annual meeting have approved the sale of 60 stores to Jordache Enterprises for operation as L.A. Joe's apparel closeout units. Heck's will be out of retailing when the deal closes by the end of July. Also as expected, stockholders approved a name change to Hallwood Industries, and the company stock now trades on NASDAQ under HWDI.

Bernheim to Resign From Euromarche

PARIS — Biggs' failure to meet the profit goals of its parent firms has affected its European originators. Reuters reported that Antoine Bernheim plans to resign as chairman of Euromarche, which owns a 20 percent interest in the retailer, because of a dispute with Au Printemps, S.A., which owns 43.3 percent of Euromarche. The corporate fight centers on Euromarche's poor results that Reuters said "centers around losses at Euromarche's subsidiary, Hyper Shoppes Inc., which runs the unprofitable Biggs" chain. Bernheim, a partner in Lazard Freres & Cie., which has major holdings in Euromarche and Hyper Shoppes, didn't say whether he also planned to resign as Hyper Shoppes' chairman.

NACSM's Annual Jewelry Seminar Nears

NEW YORK — The National Association of Catalog Showroom Merchandisers will hold its annual jewelry seminar July 22 at the Jacob Javits Convention Center here in conjunction with the Jewelry Association show. Reservation are available by calling (800) 334-9585.

HQ Alters Name in Canada, Unit No. 2

EDMONTON, Alberta — The Great Canadian Office Supplies Warehouse, formerly called HeadQuarters Office Supply, opened its second unit under its new name late last month. Its first location, opened in Vancouver at the end of April under the HeadQuarters Office Supply banner, also changed to the new name. The new store in Edmonton is 32,000 square feet. A total of eight to 12 locations are slated to be opened during 1990. Great Canadian Office Supplies Warehouse operates under a licensing deal with HQ Office Supplies Warehouse, Long Beach, Calif.

Satellite System Installed at Phar-Mor

YOUNGSTOWN, Ohio — Phar-Mor plans to install a $6 million-plus satellite communication system to connect over 200 stores to its headquarters here by the end of the year. The network, being supplied by Hughes Network Systems, includes a hub station at the chain's headquarters, to be operational by August, and Personal Earth Station VSAT terminals at stores, warehouses and distribution centers. The network will support voice and data communications, along with in-store music broadcasts and live video transmissions of training programs.

Sears, OshKosh Support the Environment

CHICAGO — Sears and OshKosh B'Gosh have become the latest among retailers and apparel manufacturers to incorporate a pro-environment message into a merchandising campaign. Starting this fall, Sears will encourage public support for the Nature Conservancy, an Arlington, Va.-based organization that buys critical habitat for rare plants and animals, through advertising and promos for OshKosh men's sportswear. Both companies will make donations to the organization at year's end.

Mobil to Delete Degradability Claims

FAIRFAX, Va. — Mobil Chemical Co. will delete references to degradability on its Hefty waste bag packaging, settling litigation in Texas. Mobil also agreed to pay $15,000 in investigative fees to the Texas attorney general's office. The legal tangle became "counterproductive," said Mobil, adding that the firm will "move to positive solutions such as establishing standards for degradability claims."

Men's Wear Gets Printed

Rayon, Unusual Waistbands Dominate NAMSB Show

NEW YORK — Rayon print shirts in any and all patterns imaginable dominated the most recent NAMSB show. The event, held twice yearly by the National Association of Men's Sportswear Buyers, was smaller than its fall season counterpart, but just as full of color and style.

It was decidedly an urban show. Muted, darker colors in mostly olive, black and brown were featured on men's shirts, coordinated trousers, ties and other apparel.

A large contingent of companies from California and other points west did manage to infuse some brighter colors into the show. Tie-dye effects and florals were visible, but the glowing neons, even in beachwear, were slightly toned down.

Though the basic jeans market at retail has not been doing as well as could be hoped, the show featured a number of fashion jeans lines that incorporated both interesting fabric finishes in addition to unusual waistbands.

Much of the exhibit space was devoted to higher-end clothing aimed at specialty and department stores. Bugle Boy, Cotler and Jordache were among the prominent national brands represented.

Bugle Boy, the sportswear manufacturer, had the largest exhibit by far, taking up the space of 17 booths for its various product lines. According to one company salesperson, looser fits and fancy waistbands were getting a lot of attention and are likely to help jeans sales for holiday.

Buyers at the recent outing were there mostly to pick up last minute fall items missed the first time out, and to look for holiday trends. The timing of the show is such that much of the fall business is already completed, though a number of retail buyers admitted they wanted to come to "just browse."

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Woolworth Sets Expansion Into Eastern Europe

MEMPHIS, Tenn. — Woolworth plans to invest $365 million to pursue expansion into Eastern Europe, especially East Germany.

The decision to exploit opportunities in Europe was triggered by a sharp rise in sales in existing stores in Berlin after the opening of the Berlin Wall. The firm reported sales more than doubled during the first week, and sales activity has remained high. Another 2 percent to 3 percent rise in total German store sales could result in '90.

As part of its European endeavors, Woolworth acquired a 14-unit specialty athletic footwear chain in Belgium and the Netherlands and created Foot Locker Europe B.V. to operate those units and nine others in West Germany.

Harold E. Sells, chairman and ceo, said the European operation should help, "speed the expansion in Europe of not only our highly successful Foot Locker format, but other specialty formats as well."

***TSS, which filed for bankruptcy last December,** has sold all but one of its 14 discount department stores.* (DSN photo)

TSS Still Trying to Sell Last of Its Dept. Stores

NEW YORK — TSS has just one more unit to sell before it is officially out of the retailing business.

Now in the final throes of dissolving the chain, company executives are wrestling with one landlord who doesn't want to release his property to a sublease at a much higher rent controlled by and paid to TSS' parent company, Resource Holdings. Therefore, Bed, Bath and Beyond and Marshalls might be delayed in opening at the store located in Melville, N.Y.

Jeff Goldstein, vice president and chief financial officer for Resource Holdings, hoped to receive court approval for the sublease at Melville, thereby allowing the chain to

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